

# CMI REPORT

## Accounting for Poverty Reduction in Norwegian Development Aid to Mozambique

Inge Tvedten  
Espen Villanger

**R 2008: 15**

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# 1. Introduction

## 1.1 Background

Poverty reduction is the overarching goal of Norwegian development assistance, as expressed in the “Government Plan of Action for Combating Poverty in the South Towards 2015” (UD 2002) and other related documents. The Norwegian Agency for Development Assistance (Norad) has recently stated that it aims to be the centre for evaluation, quality assurance and dissemination of results in its “Strategy Towards 2010” (Norad 2006c). At the same time, it is acknowledged that we currently know too little about the impact of development aid and that Norway must make greater demands on both itself and its partners to document results (Norad 2006c).

The call for more and better data on the results of Norway’s development cooperation with the South comes from the political system (including an opposition right wing party opposed to the very idea of aid, but also from the government’s own ranks)<sup>1</sup>; from the aid bureaucracy itself that has to account for the funds spent both to Norwegian authorities and international bodies such as OECD/DAC; as well as from the “interested public” at large. Public debates about the impact of aid often reveal basic disagreements about its results and the relevance and quality of available data, as exemplified in a recent debate between Øyvind Østerud and Norad (Østerud 2006; Engberg-Pedersen 2007). Despite overwhelming support for the idea of development assistance in Norway, a relatively large proportion of the population (60 percent) claim that they do not understand how aid works and what the results are, which makes the broad consensus fragile (Roll-Hansen et al. 2007).

A number of initiatives are currently under way to improve the documentation of the results of Norwegian development aid, with Norad’s Department of Quality Assurance (AMOR) as the leading body. The “flagship” is to be an annual report on the results of Norwegian development aid, published for the first time in November 2007 (Norad 2007), which concludes that “aid works, but it does not work well enough” and acknowledges that available data are insufficient to “follow the Norwegian money from Oslo to the target group”. There are also other initiatives under way for improving the system of accounting for results within, for example, the existing framework of the Programme Development Cycle (Norad 2006a) and in the annual budget for development cooperation to Parliament (UD 2007); as well as efforts to make the results more easily accessible to the interested public, e.g. on Norad’s own internet websites and through the monthly paper, “Bistandsaktuell”.

This report is meant to feed into the process of improving the documentation of the results of Norwegian development aid by taking a critical look at the system of the monitoring and evaluation of Norwegian development aid to Mozambique – with a particular focus on poverty reduction. Mozambique is one of the poorest countries in the world in terms of human development – measuring income, longevity and educational attainment – and is number 172 out of 177 countries on UNDP’s ranking in 2007 (UNDP 2007). Since its independence from the Portuguese in 1975, the country has gone through periods of socialist central planning, a civil war (lasting from 1976 until 1992 and a period of economic liberalisation from the mid-1980s. After a long period of economic decline, economic and social indicators have shown positive trends over the past few years, with an

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<sup>1</sup> On 24 April 2007, the head of the Parliamentary Foreign Affairs Committee, Olav Akselsen from the governing Labour Party, asked the Minister of Development Cooperation, Erik Solheim, what he would do to secure that aid reaches its target groups. Referring to the sharp increase in aid, he not only expressed concerns about the impact of aid but also that inadequate control and evaluation may undermine the support that aid has in Norway (Bistandsaktuell 2007).

average economic growth of 8.5 percent (DfID 2007a) and a reduction in the poverty headcount from 68 percent in 1996/97 to 54 percent in 2002/03 (INE 2004a). The efforts to reduce poverty in Mozambique are centred on the country's Poverty Reduction Strategy Paper (PARPA 2005-2009), currently in its second phase (GdM 2005). The Strategy has defined education, health, infrastructure, small-scale agriculture, governance and judicial reform, and fiscal – and macroeconomic policy as the main areas of priority.

Mozambique is a major recipient of development aid, with an average of USD 65.6 per capita each year during the past decade. Gross aid, including debt relief grants, has averaged over 40 percent of GNI in per capita terms since 1985. External financing has been equal to 100 percent of government investment and approximately 50 percent of total government expenditure during the same period. Total aid disbursements in 2006 were USD 1.4 billion, with the 18 principal donors in Mozambique accounting for around 90 percent of total aid. There are around 150 foreign NGOs in the country, managing an estimated 6% of the aid disbursement (Arndt et al. 2006). There is broad agreement that external aid has been important for the establishment of peace, post-war stabilisation, widespread reconstruction and the positive trend in key social indicators. But there are also important critical voices who argue that aid has not been sufficiently pro-poor in its approach (Renzio and Hanlon 2007; Virtanen and Ehrenpreis 2007) and that the dominance of aid has contributed to national institutions being too dependent on, and accountable to, foreign donors at the expense of their own population (Hanlon 1991, 2007 and 2008; Negrão 2002). Moreover, the more direct causal links between aid and its overall impact on growth and development are still the subject of debate (see Radelet 2006).

Mozambique has been a major partner of cooperation for Norway since the country's independence in 1975. In the period 1992 to 2005, Mozambique received close to NOK 5 billion in bilateral aid. Norwegian aid to Mozambique for 2007 amounted to NOK 340 million, making it the third largest recipient of Norwegian aid in Africa – after Sudan and Tanzania. Of the aid to Mozambique, 50 percent went to sector support in the areas of health, energy and fisheries; 25 percent to budget support; and 25 percent to other projects (MFA 2007). Hence, a substantial part of Norway's assistance is currently channelled through joint interventions with the Mozambican government and other donors. There are six Norwegian NGOs active in the country, including Save the Children, Norwegian People's Aid and World Wildlife Fund (MFA 2007). In the period 2007-2008, Norway has a key position as head of the so-called "Troika" – leading the G18 group of donors involved in budget support to the Mozambican government. While Mozambique may be said to be a "typical" developing country and aid recipient for Norway, then, it is "atypical" in terms of the extreme importance of aid and the dominance of new aid modalities.

## 1.2 The Study

The study will assess the system of the monitoring and evaluation<sup>2</sup> of Norwegian development aid to Mozambique, with a particular focus on the system of the verification of its impact on poverty. In line with common usage, poverty will provisionally be seen as multidimensional: it not only involves material deprivation and lack of economic opportunity, but also vulnerability and deprivation with respect to health and education, power and influence, social status and human dignity. Our objective is hence not to assess the impact of Norwegian aid on poverty reduction *per se*, but to assess the relevance and quality of the aid monitoring and evaluation system for poverty reduction.

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<sup>2</sup> Poverty monitoring will be seen as "a continuing function that uses systematic collection of data on specified indicators to provide management and main stakeholders of an ongoing development intervention with indications of the extent of progress and achievement of objectives". An evaluation will be seen as "a careful and systematic retrospective assessment of the design, implementation and results of development activities" (SIDA 2004:109).



The current system for monitoring and evaluating Norwegian aid to Mozambique is centred on the Development Cooperation Manual, with specific requirements for procedures, delegation of authority and documentation defined for the preparatory phase, the follow-up phase and the completion phase respectively (Norad 2006a). There are separate guidelines for Norway's provision of sector and budget support (Norad 2007 a and b). Although less directly expressed and formalised, there is also a system for reporting on more specific events and developments, including the political situation and issues of poverty from the Embassy to MFA/Norad. Having said this, the system is currently in a state of flux: The recent reorganisation of the Ministry of Foreign Affairs vested the responsibility for project planning and implementation in the Ministry of Foreign Affairs and with the Embassies in each recipient country, and left Norad responsible for professional advice, monitoring and evaluation – with our impression being that Norad is still struggling to find its position and role in the new institutional set-up.

With the broad set of stakeholders and interested partners in Norwegian development aid – ranging from cooperating partners in the South, via the Norwegian aid bureaucracy and to the interested public in Norway – we will assess the relevance and quality of the existing information on poverty as i) part of the ongoing monitoring and evaluation of projects and programmes *per se* and ii) as part of MFA/Norad's responsibility to inform relevant stakeholders about the results of Norwegian development aid to countries like Mozambique. Regarding the first point, there are particular challenges related to the increased reliance on joint sector programmes and budget support, making it difficult to follow the use of Norwegian funds from allocation to results. Regarding the second, there is a need for a broad set of data and approaches to fulfil the obligation of informing the interested public and making aid make sense.

The issue of how to measure the implications of aid on poverty is by no means uncontroversial, as is shown by a study of Norwegian aid efficiency and poverty impact carried out by the Norwegian Office of the Auditor General in Mozambique in 2002-2003 (Riksrevisjonen 2003).

The report and the subsequent heated debate revealed considerable disagreement around the most relevant way of measuring the impact of Norwegian aid to Mozambique on poverty: While the Auditor General directed strong criticism at MFA/Norad for having inadequate basis for measuring the *direct* impact of Norwegian development interventions on poverty, MFA argued that, with the framework of new aid modalities in Mozambique, impact should primarily be seen as *indirect* (Riksrevisjonen 2003). The debate also revealed different perceptions of the meaning of poverty, with the Office of the Auditor General taking a narrow view of poverty as economic and social deprivation, and the Ministry of Foreign Affairs insisting on including the broad institutional environment as part of the target for much of the given aid.

More specifically, the Office of the Auditor General stated that that the overarching goal of poverty reduction and the specific goal of Norwegian aid to Mozambique of contributing to economic growth favouring the poorest parts of the population had been inadequately operationalised. Only two out of 31 projects and programmes ("tiltak") accounted for their orientation towards poverty and specified how they wanted to achieve the goal of pro-poor growth. Moreover, for 21 of the projects and programmes, no target groups were specified. The report also argued that there was inadequate information for assessing the poverty orientation in the area of budget support. With reference to the requirements set in the Development Cooperation Manual and other relevant policy documents, the report was concluded by questioning the extent to which the Norwegian projects and programmes had contributed to poverty reduction in Mozambique.

The Ministry of Foreign Affairs in its response acknowledged that there was room for improvement in the specification of the objectives, challenges and risks involved, but also criticised the Office of

the Auditor General for its narrow approach. MFA argued that the new aid modalities defined new requirements for monitoring and evaluation, and that the issue of poverty reduction should be seen from a longer term perspective. Hence, important indicators of the extent to which Norway had contributed to positive development should be: “[whether] the cooperating partners have good strategies for combating poverty; if they, in cooperation with their partners, have actively pursued their goals; what results they have achieved and how well Norway and other partners have contributed to [poverty reduction strategies] being fulfilled in an effective way” (Riksrevisjonen 2003:5). Many of the results, they argued, were to be found in the “dialogue and cooperation” with recipient authorities and other donors. Based on a broad definition of poverty and emphasising the recipient responsibility, MFA’s conclusion was that Norway indirectly had contributed to poverty reduction in Mozambique in a significant way.

While this is no place to revisit the debate, *per se*,<sup>3</sup> it does highlight a number of central issues of relevance for our task of assessing the system of accounting for the implications for poverty of Norwegian aid to Mozambique. These include the notion of poverty as such, the implications of the overarching objective of poverty reduction on the level of concrete interventions, the most relevant types of data to verify the outcomes and impact on poverty, and the most adequate system for forwarding information to the relevant stakeholders. Our point of departure in the following will be:

- That the ultimate goal of all Norwegian development aid to Mozambique should be to improve the life situation of poor people either directly or indirectly.
- That the overarching goal of poverty reduction should be reflected in the monitoring and evaluation of *all* programmes.
- That it is vital to combine Mozambican data and assessments of poverty with data and assessments done as part of Norwegian interventions for necessary contextualisation.
- That it is important to use a broad set of quantitative and qualitative poverty indicators to satisfy both the “bureaucratic” need to monitor and account for results and the needs and expectations of the political milieu and interested public for making aid make sense.

We are keenly aware of the need to balance “the optimal” in terms of the monitoring and evaluation of poverty with practical constraints in a complex aid environment. However, while the main challenge in developing countries is often presented as limited access to poverty data *per se* (Norad 2007; Nikolaisen 2007), we argue that the main challenge in Mozambique (and, we suspect, in many other developing countries) is rather to relate constructively to the vast quantity of data that exist. In other words, much is to be gained by prioritising more highly the ultimate goal of poverty reduction in the monitoring and evaluation of Norwegian development aid.

### 1.3 Outline of the Report

Chapter 2 presents a discussion on key issues and concepts about poverty. Chapter 3 contains a discussion about the relevance and accuracy of the current system of accounting for poverty reduction in Norwegian aid to Mozambique. Chapter 4 discusses alternative systems, in government and among other donors, of monitoring and evaluating aid and poverty, and Chapter 5 will conclude and present possible alternatives to the current system of accounting for aid and poverty reduction, both in relation to the programme development cycle *per se* and towards the interested public.

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<sup>3</sup> The Office of the Auditor General has made a follow-up evaluation in Mozambique in 2007, which basically gave the Embassy credit for having changed its routines in the aftermath of its original study (Riksrevisjonen 2007).

## 2. Some Conceptual Clarifications

### 2.1 Multi-Dimensional Poverty

One of the first conceptual challenges in accounting for poverty reduction is that there is no clear consensus on what ‘poverty’ implies, and hence what is to be measured and accounted for. Traditionally, poverty has primarily been seen as material deprivation and lack of economic opportunity, and is often measured in terms of the proportion of people living under a defined income or consumption-based poverty line, for “less than one dollar a day” or other similar measures. The World Bank through its “World Development Reports” has been one of the main advocates for such an approach, and the simplicity of such indicators has made them useful particularly for international comparisons (World Bank 2007). The perception of poverty was later broadened with the introduction of UNDP’s “Human Development Reports”, to include material poverty in terms of GDP per capita as well as social indicators of educational attainment and health (UNDP 2007). The more recent Millennium Development Goals can be seen as a further extension of such an approach to poverty, focusing on eight specific goals ranging from eradication of extreme hunger and poverty to environmental sustainability (United Nations 2007). On the basis of all these poverty indicators, Mozambique is among the poorest countries in the world, and the poorest in Southern Africa.

Recently, however, there has been increasing acknowledgement that poverty is multi-dimensional and should also be taken to include ‘qualitative’ issues of power and influence, social status and human dignity (Jerve et al. 2003). Poverty is, in this view, essentially a combination of lack of material resources and lack of power and choice – often expressed in terms of “powerlessness” and “vulnerability”. According to SIDA (2004), such a view of poverty has far-reaching consequences for the way we perceive poverty and poverty reduction – and hence, for the indicators we need to monitor and evaluate development aid. The questions that need to be monitored and evaluated are:

- Will the development intervention increase the assets of poor people, create better opportunities for poor people to earn a living, or otherwise improve their material standard of living?
- Will it have significant impact, positively or negatively, on the health and life-chances of poor people?
- Will it provide poor people with education and increase their access to useful information and knowledge?
- Will it strengthen the rights of poor people and make state organisations more responsive to their needs and interests?
- Will it empower poor people, individually or collectively? Will it increase their ability to assert their rights in relation to the state and more affluent citizens?
- Will it make poor people less vulnerable to the adversaries of armed conflict, natural and humanitarian disasters, market fluctuation and other untoward developments?

Our point of departure in this report is that both these approaches are useful, but that they serve different purposes. Aggregate data on material poverty and social indicators are useful for the mapping and profile of poverty and well-being and larger-scale comparisons at both a national level and between countries, regions or continents. But they say little about the causal factors behind such indicators and the extent to which development aid has something to do with it – and even less about the role of Norwegian development aid. At the national level, we see strong arguments for using a multi-dimensional approach to poverty in monitoring and evaluating development aid. Most

Norwegian programmes and projects in Mozambique have multiple goals and objectives, and this necessitates a broad approach in terms of result indicators for poverty reduction.

## 2.2 Direct and Indirect Interventions

A second conceptual challenge related to measuring and accounting for poverty reduction concerns the distinction between direct and indirect consequences. Referring back to the discussion between the Ministry of Foreign Affairs and the Office of the Auditor General about the relative importance of indirect and direct implications of Norwegian aid to Mozambique, our position can be seen as somewhere in between. Also, in cases where the primary objective of a development programme is related to the general economic development (as with budget support), development of government institutions (as with energy and fisheries) or physical outputs in terms of infrastructure (as with health), the system of monitoring and evaluation should make it possible to say something about the implications of the intervention for the life situation of poor people. SIDA (2004) makes a threefold categorisation of poverty reduction interventions – all of which are relevant for Norwegian development aid to Mozambique:

- Interventions directly or predominantly focused on different categories of poor people. Examples are targeted safety nets, labour-intensive works programmes, and direct support through community development projects.
- Inclusive actions where poor people are affected as members of a broader group of beneficiaries, including sector-wide approaches that are geared towards sectors of importance to the poor.
- General structural approaches aimed at underpinning pro-poor policies. These give support to efforts for democracy and good governance, macroeconomic stability, increased accountability, transparency and the fight against corruption.

The three approaches necessitate different types of data and other information to be monitored and evaluated for their implications for poverty reduction. In the first case, the question of targeting is important. It should be possible to show that the target group has been the main beneficiary, as well as how it has benefited. This will often require some type of localised data and other information, and clear conceptions about the most relevant indicators. In the second case, it is important to be able to show that poor people have equal access to the relevant benefits. While such programmes are broader based and more likely to be sustainable, they also have an inherent danger of excluding the most disadvantaged who may lack the resources and relations necessary to take advantage of them. In the third case, the implications for poor people will remain more ambivalent and be more difficult to trace – but the link should still somehow be accounted for by a constructive combination of quantitative and qualitative poverty data. In the following sections, we will look at some of the more technical challenges in accounting for poverty reduction with Norway's development aid in more detail.

## 2.3 Income and Consumption Poverty

A main question to be raised in assessments of poverty and well-being is whether these measures actually correspond to peoples' own *perception* of the problem.<sup>4</sup> If the aim of poverty reduction is to help those who feel poor to regard themselves as less-poor or non-poor, then we should employ other indicators than income and consumption, if these are not related to the poor people's

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<sup>4</sup> In their preparation for the World Development Report (2001), the World Bank interviewed more than 60.000 individuals from 60 countries, asking them what poverty meant to them. The findings are published in three books, see <http://www.worldbank.org/poverty/voices/overview.htm> for more information.

perception of poverty. Research suggests that alternative variables that are important for perceptions of poverty may be educational attainment, health, employment, age, marital status, past income, expenditure, assets and average income in the area of residence (see e.g. Ravallion and Lokshin 2002). In poorer societies, like Mozambique, other variables may be even more important – such as vulnerability to weather related shocks that poses a threat to the survival of the household members.

Having said this, the poorer the society in terms of income, the higher the correlation between the perception of poverty and an income-consumption measure. The reason is simply that below a certain level of consumption expenditure, one is not able to secure *basic needs* like sufficient food, adequate clothing and shelter. Lack of such basic needs can cause severe hardship for individuals and households, and most people in this situation would rate themselves as poor. In Mozambique, studies show that people generally perceive themselves as poorer than would be derived from measurable indicators (INE 2004). Also, even if one accepts income or consumption expenditure as the basic indicator of poverty, it is not likely that people with different cultural norms will agree on what constitutes a bundle of goods consumed by the poor (Srinivasan 2000).

Some of the variables that explain perceptions of poverty indicate that people feel that poverty is a relative phenomenon, i.e. that *relative income* within the community matters. This is another conceptual issue of which poverty analysts need to be aware. The argument around why poverty should be measured in absolute terms in poor countries concerns the ability to consume the bundle of food that enables an individual to obtain the daily caloric intake required to avoid undernourishment. Undernourishment is an absolute state, and avoiding starvation or fatal disease is thought to overshadow any inclination towards relating ones welfare to how others fare.

Another conceptual challenge concerns aggregated analysis, which may hide important explanations for poverty. Collier and Gunning (1999) find that while factors like *climate and disease* are important for explaining poverty at the household level, these variables are usually omitted in aggregated economic analysis of determinants of poverty. The same problem applies to *government policies*, since the distribution of income is also a function of the government's choices (see for example Ravallion and Datt 2002). Thus, attempting to explain differences between countries without taking into account the governments' efforts to eradicate poverty may yield biased results. This argument also applies to in-country analyses when there are regional differences in government or donor efforts that are not accounted for in the aggregated national poverty figures. Assessing the effects of aid on poverty should be traceable to the population that actually received the aid, but this is seldom addressed in poverty debates, which tend to focus on the aggregated national level.

Another way in which aggregating income and consumption expenditures may conceal important poverty patterns is when there are large *geographical disparities* in levels of poverty or *differences between socio-economic groups* of the population. Hence, even if a country does not seem to have a large poverty problem, desegregation may reveal that poverty is widespread in some regions/population-groups, while others are prosperous. So, if the cause of geographical or subgroup differences in poverty are due to the characteristics of the area or subgroup, then there may be potential benefits to targeting these areas/subgroups. One of the main topics of discussion in Mozambique is the exact regional variations in poverty headcount shown by the National Household Survey IAF (INE 2004), and the difficulties in explaining some of these differences.

Even if income and consumption measures do not capture other important aspects of poverty and well-being directly, this need not be a major deficiency of income-consumption measures if increases according to these also improve well-being along the other dimensions. For example, some poor people hold liquid wealth to protect themselves against risks, for example to mitigate possible adverse effects of natural disasters. This implies that higher income may improve the

household's ability to put aside enough savings to be protected against shocks, which again suggest that income can be correlated with other dimensions of poverty such as *insecurity and vulnerability*. Another example stems from the belief that income poverty is related to inequalities in *education and health* (Ravallion 1996). If increased income also enables people to get medical treatment when ill, or send their children to school, then the income measure also captures these aspects. However, there is now broad consensus that income growth alone will not reduce poverty along these dimensions, that it is a public responsibility to provide basic health care and primary education, and hence those economic data have to be combined with data on social development (Lipton and Ravallion 1995).

The final conceptual issue that we want to highlight in this section is that poverty assessments usually employ static measures. The most popular approach is to devise an income-consumption poverty line, for example the previously mentioned "living with less than \$1 a day" line, and count the number of individuals below this line at a certain point in time. Counting the number of poor in a later period yields an opportunity to assess how poverty has changed over time. However, this approach may give a biased picture of welfare changes. Consider the case where 20 % of the population is defined as poor in two surveys at different points in time: it makes quite a difference whether the poor consist of the same people in both surveys, or whether there has been a complete turnover, and none of those who were poor in the first survey is poor in the second one. (See Hanlon 2007 for an exemplification of this in Mozambique.)

## 2.4 Practical Challenges for Measurement

If we assume (also in a broader sense) that income or consumption expenditure is a useful indicator of poverty and well-being, what practical problems may we encounter that could influence income-poverty analysis? A very important challenge that affects the accuracy of income and consumption figures is that these variables often suffer from *measurement error*. When measuring income, how do you value poor peoples' backyard production of agricultural products for their own consumption if these products are not traded in a market and hence have no market price? Deaton (1989:29) is very illustrative in pointing to several other problems of measuring net income in poor areas:

"The concept of income is itself extraordinarily complex, and most people in developing countries have little reason to distinguish between business and personal cash transactions. A farmer who buys seeds and food in the same market at the same time may not appreciate that, when computing income, he should only deduct the expenditure on seeds from his receipts. Nor is a seller of street food likely to distinguish accurately between what is eaten by his customers and what by his family. A subsistence farmer, whose outgoings approximately equal his incomes, is quite likely to report that his income is zero. Even in developed countries the measurement of self-employment income is notoriously inaccurate. The problems are not entirely solved even by the detailed questioning of more sophisticated surveys, in which the surveyor, not the respondent, calculates income. And the national accounts data for household saving are not themselves reliable enough to provide a good cross-check that will show what sort of surveys do best or how they should be redesigned to do better."

It is evident that many of these problems are not related to measuring consumption, which is more easily understood. One should also note that consumption expenditure calculations include in-kind consumption, and such consumption is often a substantial share of poor people's daily life. A feature of survey data that implies less reliability in the income-consumption figures is that non-market goods are ignored in these calculations. These issues are important in Mozambique since 80 % of the population derive their income from agriculture. The bias in the variable may even be

reinforced by the fact that the respondent may regard income and consumption expenditure as *sensitive information*. One example arises from the significant income tax evasion and avoidance in poor rural areas (Srinivasan 2000). Thus, people may be reluctant to state their true income or consumption if they suspect that the government may use the figures for taxation purposes.

In general, it is difficult to take account of the price variation across local markets. Large inter-village price differences may coexist in poor rural areas due to poor infrastructure, and poor people may pay higher prices than others may pay for the same goods. Since the interesting measure is the real value of the poverty proxy, one should deflate the variable with as much precision as the data allow. The lack of detailed information about prices in most surveys is thus of great concern for the accuracy of the variable. The importance of prices also casts doubt over whether aggregated poverty figures are meaningful, since the purchasing power parity concept that is used to calculate them only applies average national prices (Srinivasan 2000). In Mozambique, however, this challenge has been taken into consideration and a range of regional prices and consumption baskets are used for calculating poverty lines (see for example DNPO 2004).

Most surveys treat the *household as the unit of analysis*, that is, they ask about the household's income and consumption expenditure aggregated over the members. Two problems of this approach, regarding the ability to evaluate each individual's poverty and well-being, are evident. The first problem is that members of a household in Mozambique are usually defined as those who usually "live under the same roof" (INE 2004). In the case of Mozambique, Tvedten et al. (2006, 2007) have shown how an alternative definition of households – consisting of people who 'eat from the same pot' – not only increases the size of households but also changes other important aspects of the household such as the dependency ratio and *de facto* household membership.

The second problem that arises from the practice of focusing on households is that the welfare of the members depends on *how the resources are shared* between husband and wife, and whether there is discrimination against children based, for example, on their sex.<sup>5</sup> Other measures of well-being avoid the difficulties in tracking differences between household members. Health and education, for example, avoid the "household unit bias" simply because they are connected directly to individuals and are therefore valuable in assessing, for example, gender differences within the household. In addition, they capture facets of poverty that consumption/income variables may not be able to pick up.<sup>6</sup>

In sum, it is important to bear in mind that quantitative poverty estimates often suffer from several of the sources of inaccuracies addressed in this section.<sup>7</sup> One implication of this is that poverty assessments ideally should be based on both quantitative and qualitative approaches, which is the topic of the next section.

<sup>5</sup> Haddad and Kanbur (1990) suggest in a study of the Philippines that treating the household as one unit understated the true poverty by more than 25%, and Borooah and McKee (1994) also illustrate how even modest differences in income sharing between husband and wife could affect their poverty rates.

<sup>6</sup> See Ravallion (1996) and the references therein for a discussion on how to mitigate the problem of intra-household inequalities.

<sup>7</sup> To see the potential inaccuracy in poverty estimates stemming from the conceptual and methodological challenges, the difference in the estimates of world consumption poverty undertaken in Global Economic Prospects in 2002 compared to those performed in 2003 (World Bank 2003) is illustrative. The increase in poverty in Sub-Saharan Africa from 1999 to 2015 is estimated to be 45 million people in 2002, while this estimate is almost doubled to 89 million people after the revision in 2003. The causes of this increase in the estimate are changes in methodology, change in the estimated relationship between economic growth and poverty reduction, the addition of new surveys and poorer economic prospects (World Bank 2003). Hence, for poverty assessments in Mozambique, it is important to address also the adequacy of the methodology, the relevance of the assumptions used and the foundations for extrapolating trends in assessing future poverty reduction. This latter issue is of particular relevance to the question of whether the economic growth of Mozambique is sustainable and how it will impact on poverty in the future, an issue that we will return to below.

## 2.5 Quantitative vs. Qualitative Approaches

We use Carvalho and White's (1997) definition of qualitative and quantitative approach:

"The quantitative approach to poverty measurement and analysis is defined here as one that typically uses random sample surveys and structured interviews to collect data – mainly, quantifiable data – and analyses it using statistical techniques. By contrast, the qualitative approach is defined as one that typically uses purposive sampling and semi-structured or interactive interviews to collect data – mainly, data relating to people's judgments, attitudes, preferences, priorities, and/or perceptions about a subject – and analyses it through sociological or anthropological research techniques."

Useful for separating the main features of the two approaches, it is nevertheless important to recognise that, in practice, both approaches could contain elements of the other. The quantitative approach to poverty analysis has, despite its pitfalls noted in the previous section, received the bulk of the attention from researchers and policy-makers alike. Important to its relative success has been the opportunity to generalise across populations, to provide measurable figures on the status of poverty and well-being among inhabitants and to offer some insight into the main drivers of poverty.

Qualitative research has gained significant ground in providing input to poverty reducing policies during the last fifteen years. Although the quantitative approach is still dominant as the foundation for policy discussion and formulation, many bilateral and multilateral donors are now frequently commissioning qualitative studies. While the general coverage of a population in broad quantitative surveys facilitates representativeness and provides numerical information that can be more easily aggregated, it is clear that the quantitative approach can miss out on nuance and texture and lose context. In poverty analysis, a particular problem for the quantitative approach is that it is not clear how aspects of individual welfare not related to market activities are to be weighted against standard economic poverty measures. Moreover, where statistical inference may give indications on causal patterns, it misses out on the power of inductive approaches.

The international research community has increasingly acknowledged the strong complementarities between qualitative and quantitative methods in poverty appraisal (see for example <http://www.q-squared.ca>). Moreover, most researchers now claim that both approaches do have an important role in deepening our knowledge of processes that maintain or produce poverty. In an overview of a symposium, entitled "Q-Squared in Practice," on these issues,<sup>8</sup> Kanbur and Shaffer (2007) give several examples of the added value in combining the methodology:

"...the use of 'qualitative' information to: improve household survey design; interpret counterintuitive or surprising findings from household surveys; explain the reasons behind observed outcomes; probe motivations underlying observed behaviour; suggest the direction of causality; assess the validity of quantitative results; better understand conceptual categories such as labour, the household etc.; facilitate analysis of locally meaningful categories of social differentiation; provide a dynamic dimension to one-off household survey data."

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<sup>8</sup> Q-squared is short for qualitative and quantitative methodologies. The contributions to the symposium were initially presented at a conference at the Centre for International Studies, University of Toronto, May 15-16 2004 entitled "Q-Squared in Practice: Experiences of Combining Qualitative and Quantitative Approaches in Poverty Analysis".



While there is consensus among researchers and analysts about the usefulness of combining the approaches for understanding and explaining poverty, there is still controversy over the extent to which such analyses use the necessary format to be useful for policy-makers and actually inform decision making.<sup>9</sup> Some topics where such joint work could be useful, and where more research is called for, are listed in the announcement for the Q-squared conference mentioned above:

- the understanding of the nature or causes of poverty in a policy context;
- the formulation or design of policies, programmes or projects;
- budgeting or resource allocation decisions;
- evaluation, monitoring or impact assessment of policies, programmes or projects.

Taken together, it is evident that the combination of qualitative and quantitative applied research has the potential to offer the best monitoring of poverty trends and evaluation of the causes behind these trends. In order to optimise the evaluation, monitoring or impact assessment of policies, programmes and projects in Mozambique, and to make the best use of the analysis in policy-making, it is important to incorporate a q-squared design in the foundations for policy-making whenever relevant (see Chapter 5 for further details).

## 2.6 Output, Outcome and Impact

The development community and national governments have clearly increased their ambitions for assessing the implications of development efforts, and are now asking for clear evidence on the outcomes and impact of public programmes aiming at reducing poverty. Past “evaluations” that were limited to insights into the fulfilment of initial plans and budgets are increasingly less accepted as the foundation for concluding whether poverty-interventions have worked or not. The trend now is for outcome and impact to be assessed against explicit and policy-relevant counterfactuals: What would the outcome have been without the poverty-reducing programme? Comparing this counterfactual with the actual outcomes gives, in theory, the correct effect of the programme. However, as the demand for measurable results of implications in terms of poverty and well-being has increased, so has the complexity of the donor interventions. Increasingly, aid is channelled through new aid modalities, like budget and sector support, which makes it difficult for single donors to assess their own contribution. Moreover, it is important to measure the change in poverty in relation to the political, economic and social context of the programmes in order to understand the link from inputs and outputs to outcome and impact. One issue is thus the implications this change in the aid regime has for the monitoring and evaluation of poverty.

There are substantial challenges for most assessments aiming at disentangling the effects of a poverty alleviation programme from other forces that impact on poverty in a society. In order to create a basis for conducting proper evaluations, the design of such assessments should be included in the design of the programme from the start. Even when this is not feasible, there is much to gain from designing the evaluation in an early phase and to secure that the necessary data is collected. An additional impediment may be that actors may feel threatened, both on the recipient and donor side, and from third parties, like contractors for example.

A common objection against proper evaluations is that the design often necessitates a valid comparison group in order to construct a counterfactual. One point made has been that since the comparison group is equally poor, it is ethically unacceptable not to include this group in the programme in question. Different versions of this argument seem to have prevented many

<sup>9</sup> See the call for papers for the June 2007 Cornell/Toronto/Vietnam Academy of Social Sciences conference: “Q-Squared in Policy: A Conference on the Use of Qualitative and Quantitative Methods of Poverty Analysis in Decision-Making” <http://www.arts.cornell.edu/poverty/kanbur/Q2Conference07Call.pdf>

evaluations in practice, and it has to be taken seriously (Ravallion 2006). One possible solution, which is often in the project design anyway, is to start the poverty alleviation programme by choosing a pilot area. In this case, one can compare the effect from the pilot with similar groups in areas where the programme will be phased in after the evaluation. Similarly, in large programmes it is not practically feasible to start in all poor areas, and hence sequencing of the programme is inevitable. This feature constructs counterfactuals without challenging ethical principles. Finally, when there are insufficient resources to reach all the poor there will also be opportunities to compare effects between those who receive help and those who do not. It is nevertheless important to recognise that good systems of monitoring and evaluation can bring more resources to poverty reduction interventions, and allow a more effective use of the available funds.

There is a range of different methodologies for outcome and impact assessments. The first approach is the one mentioned above where new aid programmes are sequenced in a random manner towards the poor, and evaluated before full implementation. The approach is to measure outcome indicators for a sample of programme participants before and after the programme, to do the same with a randomly selected group of non-participants and then calculate the change in outcome for each group. The difference in outcome between the two groups can then be attributed to the programme if no non-programme events affected the groups differently in the period. Hence, the difference in changes is the average effect of the programme across programme participants. One advantage, in addition to precise estimates of programme effects, is that the programme can be improved before implementation in the remaining districts. This approach can also be useful if the aid programme is targeted towards a particular area or group, and hence is not randomly assigned.

Moreover, even measuring the outcomes at two different points in time *after* the programme could reveal impacts of the aid if the aid programme has had growth effects (as one can have from education on incomes). Other economical applications of programme evaluation techniques are to produce rapid assessments where the evaluator compares the programme area with similar areas, and assess differences over time. The approach is not as thorough as using comparative groups, but will nevertheless produce useful information on the impact of programmes. Areas are then chosen based on similarities with the programme area, with reference to characteristics that may typically play a role for the relative success of the aid programme. This could be the economic level of the area, its centrality or remoteness, infrastructure, economic activities, institutions, or service provision.

There is also a range of methodologies for assessing effects of other types of interventions where the application of statistical/econometric methods is non-viable, typically where particular beneficiaries are not identified as in many of the Norwegian institutional development programmes in Mozambique. In such cases, impact analysis will rely on other 'qualitative' types of data that make it possible to study change over time, based on the analysis of historical processes, institutional change, life stories, informants' perceptions and so on. Also, these approaches may yield important indications of the impact chain from the programme towards poverty reduction. Moreover, the outcome of a programme may often emerge differently at different points in time and it can be useful to focus on results in the short-, medium- and long term. When it comes to institutional development programmes in particular, it is important to recognise that success measured according to short-term outcome indicators (like improvements in the fish management skills of the staff of the Ministry of Fisheries) does not necessarily translate into success in the long-term outcome indicators, like improved management of fish stocks and improved conditions for poor fishermen.

Another approach, typically used if the aid programme is not randomised in any useful way or is confined to particular areas/groups, is to apply advanced econometric methodologies designed to reveal causal relationships of non-random programmes. However, both randomisation and non-

randomisation approaches require quality data and much research effort, and this may often be too costly for simple evaluation studies. Nevertheless, the application of programme evaluation techniques can be useful despite the fact that most aid programmes are not randomised. Aid interventions are often targeted at participants based on their characteristics, for example low-income or asset base or poor health. In this case, it is possible to ascertain the impact of the intervention by comparing participants with non-participants that share characteristics that may influence the impact of the programme. This point can be illustrated in assessments of income-generating schemes. If participants of the income-generating programme are chosen because they have little education, and if the level of education influences how much income they will be able to generate through the programme, then the comparison group must have the same composition of people in terms of education in order to arrive at a good estimate of the difference between participants and non-participants. Hence, whenever the aid programme targets a particular area or group and where the characteristics of this group or area may affect the outcome of the programme, then such approaches should be applied to avoid poor inference.

Finally, an approach that is often found in current evaluations is to compile output figures and impact indicators only for programme participants, undertake interviews with participants and stakeholders and summarise secondary data, and then apply theory and prior knowledge to discuss causality and likely programme effects. Although important insights can be generated, this evaluation design does not qualify as a sound impact evaluation design, as it cannot be considered to produce rigorous quantitative estimates of project impact (World Bank 2006). At the same time, alternative ‘non-economic’ data, for example related to political processes, bureaucratic culture and individual motivations, may indeed throw important light on the possible reasons behind the success or failure of an aid programme. In any case, it is important for the evaluator to think through finding a good counterfactual, since this itself will provide important input to the evaluation, and prevent erroneous conclusions from being drawn.<sup>10</sup>

The design of any aid impact study will have to take into account the extent to which the role and effect of different sources of funding should be assessed – e.g. attributing effects to Norway’s involvement. The implications of the new aid modalities like budget and sector support for poverty monitoring and evaluation is first and foremost that tracing the different contributions is very difficult. Hence, in assessing the impact of a programme, it is usually not possible to attribute results to specific donors other than taking credit for the share of the success or blame. This has important implications for any assessment of results of Norwegian aid to Mozambique, as 75 % of these resources are in the form of sector or budget support. Moreover, most of the other donors to Mozambique have a similar disbursement policy, and the PAP is aiming to increase their share of budget support to from 31% to 40 % of their total aid budget to the country. This implies that the sector and budget aid is so large, compared to the GDP of Mozambique, that it may be meaningful to trace the effects of all aid on the national economy and social development – and also for some of the largest donors to link it to their own aid (see Chapter 4).

The level at which aid objectives and the corresponding impact indicators are defined in such programmes also influences research design. For example, the impact indicator of an education programme may be formulated in terms of skills improvement at the individual level, the career development of the individual, raising the level of education/skills in a population group, or reducing the level of poverty in a population group. The “distance” between aid interventions and outcome indicators influences the extent to which causal relations can be corroborated through analyses focusing on, for example, historical processes, institutional change, life stories and informants’ perceptions. Moreover, the time dimension is of considerable importance to the carrying out of proper monitoring and evaluation. When can one expect to see the full impact of a

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<sup>10</sup> See Villanger and Jerve (2008) for an overview of how to conduct quality impact evaluations under budget constraints.

programme? The answer to the question depends on the particular intervention being studied. The full effects of education on income may be measurable only after the pupils have finished school and been employed in their first full-time job. Moreover, there may be different growth trajectories at different points in time. This could be the case if the education allowed the former pupils to increase their income at different rates at different points in time (higher income growth after an initial employment period, for example, or increasing income growth rates until the top of their career is reached). In this case, all periods of varied growth rates must be covered to get the complete picture of the impact of the education programme. In other words, it is necessary to assess carefully the particular programme and its likely effects in order to design the appropriate time frame for the evaluation of its impact.

Similar challenges are present in cases where it is relevant to assess the macro-impacts of micro-projects. Positive assessments of projects at the micro level are not necessarily reflected in aggregate economic indicators. Radelet (2006) argues that foreign aid does not necessarily have an impact on macroeconomic growth even if the amounts of aid are substantial and its implementation effective. Moreover, it is difficult to track the contribution of aid, to distinguish it from other events impacting on growth and to know when the effect of the multi-faceted aid should be measured by aggregated, national increases in income.

In sum, the call for greater focus on development results of Norwegian aid is important, but also poses a number of challenges in all stages of the development process – from design and planning to follow-up and reporting. In the next chapter, we will take a closer look at this, with direct reference to Norwegian aid to Mozambique.

### 3. Accounting for Poverty Reduction in Norwegian Aid to Mozambique

#### 3.1 Norwegian Development Cooperation

Mozambique has been one of Norway's main partner countries in development cooperation since 1977, and is one of the countries in Africa that receives most of its development assistance from Norway (MFA 2007).<sup>11</sup> From the very start, energy and fisheries were central areas of support. During the civil war from 1976 to 1992, the support also focused on emergency aid, including health (Brochman and Ofstad 1990), and from the peace agreement in 1992, Norway aided and supported rehabilitation work as well as measures to help refugees to return from neighbouring countries and re-establish themselves in Mozambique (Suhrke et al. 1997). From the mid-1990s, there has been a shift towards more long-term development cooperation focused on strengthening and building the capacity of institutions, sector programmes and budget support (MFA 2007).

Norwegian development cooperation with Mozambique is currently set in a context where the government has declared the fight against poverty its main priority – more specifically, formulated in its Poverty Reduction Strategy Paper, PARPA (GdM 2005). With the principles of recipient responsibility, harmonisation and alignment defined in the Paris Declaration (OECD-DAC 2005), Norway is committed to relating its aid to the priorities of the Mozambican government. The PARPA aims at reducing the proportion of poor people in the population, and has defined education, health, infrastructure, increased productivity on family farms, governance, judicial reform and fiscal and macroeconomic policy as its main priority areas in this effort.

Norwegian involvement in sector programmes implies a commitment to long-term engagement in sector policy dialogue and institutional development. Through co-financing schemes and common funds with other donors, this is meant to reduce the burden on the Mozambican administration. According to the Norwegian Embassy itself, the reduction this implies in individual projects and programmes aims at “guaranteeing sufficient capacity and a high level of quality in the Norwegian involvement” (MFA 2007). As we shall show, however, this has also meant that it has become more difficult to follow “Norwegian money” and measure the results of the development aid to Mozambique.

Cooperation between Mozambique and Norway had a total budget of NOK 340 million in 2007 and focused on budget support (25 percent) and the three sectors of health (22 percent), energy (22 percent) and fisheries (6 percent) (MFA 2007). This is, according to the Norwegian Embassy, still “in accordance with the Mozambican Government's prioritisations”. Having said this, energy and fisheries are sectors where Norway considers itself to be particularly competent. The real extent to which Mozambique, as the recipient country, is in a position to choose or influence areas of cooperation can be debated. In fact, there are voices in Norway arguing that the choice of sectors of focus is determined more by Norwegian political and professional interests than the needs of the recipient countries and poverty alleviation (see e.g. Jerve 2007).

Let us briefly outline the content of the main areas of cooperation: in the health sector Norway and other donors contribute to three common funds, including common funds for health services in the

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<sup>11</sup> The information below is taken from the Norwegian Embassy's own presentation of Norway's goals and objectives in Mozambique on its internet page - if not otherwise stated.

provinces and for medicines and medical equipment. Norway also channels funds for reproductive health through the United Nations Population Fund. UNFPA. Cooperation in the energy sector is focused on responsible management of the country's hydropower and natural gas resources; it includes technical and financial assistance for the petroleum and energy directorates and the development of a nation-wide power grid. In fisheries, Norway supports a sector programme with the goal of developing government institutions with the capacity and competence for research-based fisheries management. Support is also given to a 'classical' integrated rural development programme involving fishing communities along the coast. Norwegian funds allocated to the budget support programme are to be used to fund key sectors for poverty reduction as these are defined in the PARPA (see above). Norway is also directly involved in the authorities' efforts to reform the management of public finances through the ongoing Financial Management Reform (SISTAFE), and support to the National Institute of Statistics (INE).

In addition to these main areas of cooperation, Norway contributes to a decentralisation programme in the province of Cabo Delgado, the rehabilitation of rural roads, and the development of small industry and human resource development in provincial and district administrations. In all programmes, special attention is to be given to "cross-cutting concerns such as HIV/AIDS, human rights, gender equality, sustainable management of natural resources and of the environment".

Norwegian institutions, companies and organisations that are partners in the development cooperation with Mozambique include the Norwegian Petroleum Directorate, the Norwegian Water Resources and Energy Directorate, the Norwegian Institute of Marine Research and the Directorate of Fisheries, the Norwegian Red Cross, Norwegian Peoples' Aid, Save the Children Norway, Norconsult, and Chr. Michelsen Institute. For more detailed information about the current Norwegian development programme in Mozambique, see Annex 2.

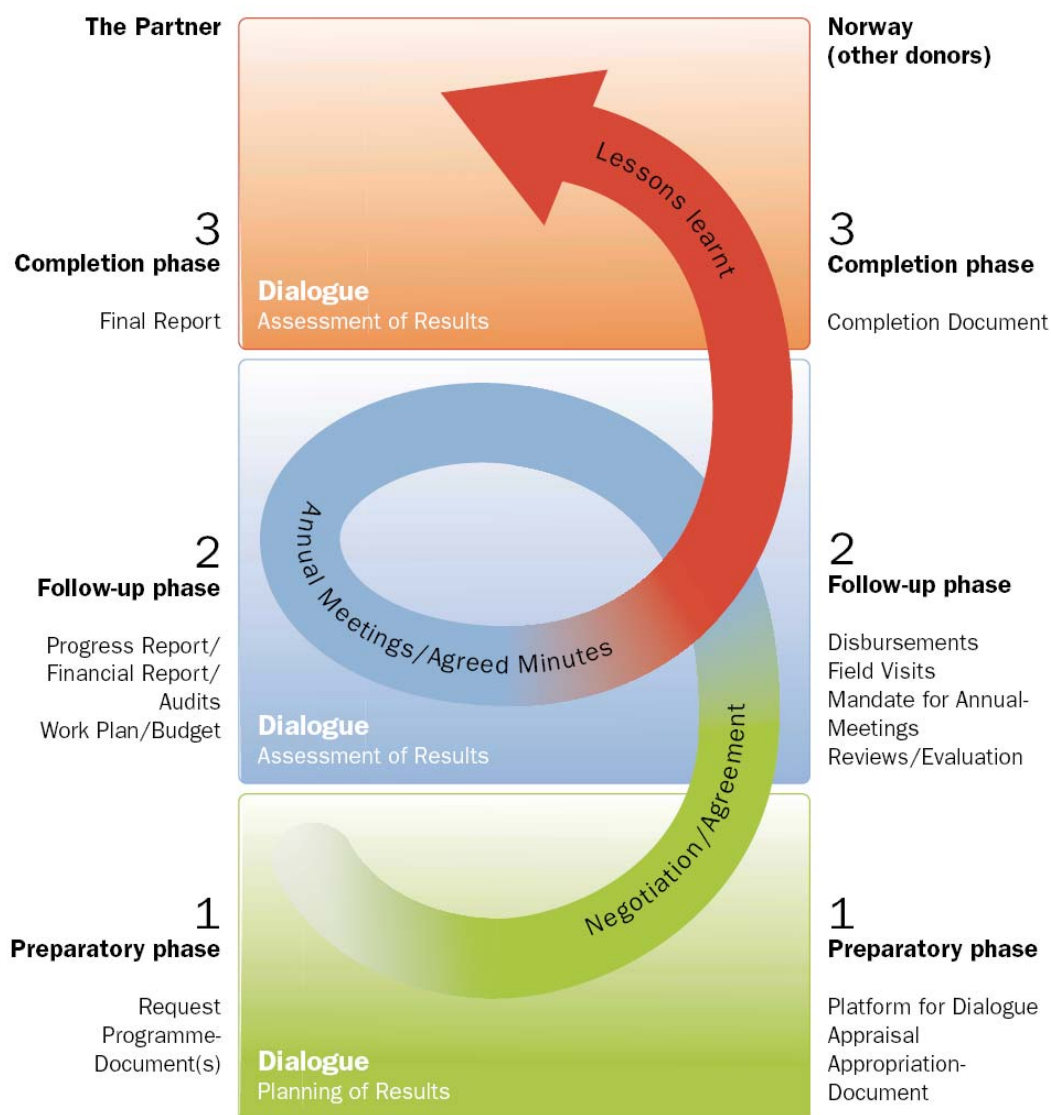
### 3.2 The Programme Cycle

A good place to start probing the current principles and practices of monitoring and evaluating the effects of Norwegian development aid on poverty reduction is the Programme Development Cycle (NORAD 2006a) (see Figure 1).<sup>12</sup> This gives guidelines for the preparatory, follow-up and completion phases of all programmes and projects, and spells out the division of responsibilities between the aid partner (Mozambique) and Norway as donor.

As can be seen, the partner countries have specific responsibilities for requesting support and writing the initial programme document, developing work plans, budgets and progress reports, and writing final reports including assessments of the fulfilment of objectives and goals. The responsibility includes a focus on poverty – i.e. in line with both Mozambican and Norwegian overarching policy objectives. Norway, as donor is, in principle, primarily responsible for appraisals of the original programme document (including assessments of objectives, goals and risks), reviews and evaluations, and a final completion document including approval of the final report which is usually done immediately after the termination of activities. There are no formal requirements for assessing the impact of a programme in periods after it has been completed.

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<sup>12</sup> Referring to the aid and poverty debate between the aid bureaucracy and academia (see Chapter 1), one of the problems with the latter is their apparent ignorance of or interest in the formalities around development cooperation as vested in for example the Paris Declaration and the Programme Development Cycle.

**Figure 1: The Programme Development Cycle**

Despite the overarching goal of poverty reduction in Norwegian development aid, it is our general impression that this goal is not given systematic and sufficient attention in the project development cycle that is at the core of planning, monitoring and evaluating any programme or project (Norad 2005) – with the partial exception of budget support, which is largely based on its own specific systems of monitoring and evaluation (see Section 3.2). In the ToR for the Platform for Dialogue (Norad 2005), ‘poverty’ is not explicitly mentioned; our interviews with recipient institutions responsible for producing the Programme Document show that they do not consider ‘poverty reduction’ as a central part of their mandate; the ToR for the Appraisal do not include specific requests for poverty reduction implications; and the Appropriation Document contains specific requirements for assessing cross-cutting issues of gender, HIV/AIDS and the environment but not for poverty *per se*. This is, as we will suggest in the following pages, a main reason for the ultimate

goal of poverty reduction (“securing that poor people get a better life” (NORAD 2007)) being lost sight of along the way – both by Norway, as donor, and the recipient institutions.

Without a specific focus on poverty in the basic documents of the Programme Cycle, the focus on poverty reduction is also easily lost in the process of monitoring and evaluation through progress reports, reviews and evaluations, which are usually done by external experts. Having gone through a large number of such documents, our general impression of a lack of a systematic focus on poverty remains the same: Poverty reduction may be mentioned as an overarching goal, but is rarely reflected in the definition of the concrete indicators of outcomes and impact of the intervention in question. The documents also reflect another common denominator that may influence the limited attention to poverty: practically all external reports and assessments are done by technical professionals (i.e. biologists in the fishery sector; engineers in the energy sector; and medical personnel in the health sector), who generally have no professional competence in issues of poverty and poverty indicators.

### 3.3 Availability of Poverty Data

The development cooperation programme with Mozambique, accounted for above, is relatively large and complex, and the task of documenting results of the programmes and projects for poverty reduction potentially involves a large number of institutions and sources of information. In line with Norwegian aid policies and the Paris Declaration, the documentation of the implications of individual programmes for poverty reduction is, to whatever extent possible, to be based on the recipient country’s own data and assessments. Norad has recently argued that lack of relevant and reliable data is a major constraint on the options for reporting on the results of Norwegian development aid (Bratholm 2007; Nicolaisen 2007). The challenge in Mozambique (and we suspect in many other countries of cooperation), rather, seems to be one of effectively using the vast amount of poverty-related data and analyses that exists.

In Mozambique, the main government system of poverty monitoring and evaluation is the annual Social and Economic Development Plan (*PES*) and its accompanying Review of the Social and Economic Development Plan (*Balanço do PES*). These are developed by individual ministries, provinces or other responsible bodies, and are collectively presented as a national *PES* and a national *Balanço do PES*. While the focus on poverty is still inadequate, it is important as the government’s main planning and monitoring instrument. In addition, the National Statistical Institute (INE) carries out a number of surveys on poverty and poverty-related issues. These are generally considered to be of high quality. Their main publications are the National Census carried out in 1997 (INE 1998) and 2007 (INE 2008); the National Household Survey (IAF) carried out in 1996/97 (INE 1998) and 2002/03 (INE 2004); the National Demographic and Health Survey carried out in 2004 (MdS 2005); the National Labour Force Survey carried out in 2005 (INE 2006) – as well as a number of analyses of these data, carried out particularly by the Ministry of Planning and Development (MPD) and its Research Department (DNPO). Ministries and other government bodies also commission individual studies for more specific topics of relevance for poverty, with or without cooperation with international donors.

There is also a number of studies on poverty-related issues carried out by other national Mozambican institutions. Perhaps the most innovative and interesting are the Annual Reports on Poverty (*Relatório Annual da Pobreza*) prepared by the civil society organisation G-20, covering quantitative as well as qualitative national and provincial data on various aspects of poverty. While their quantitative data may not be “scientifically” viable, much of their analysis is based on systematic information gathering in a large number of local government and civil society organisations to ascertain their views on the poverty situation in the country. Another important



source is the universities. The main *Universidade Eduardo Mondlane* (UEM) produces easily accessible and well-written research reports as well as student theses on issues of poverty in the fields of economics, geography and anthropology. Finally, there are several private research institutions and consulting companies that carry out research projects and produce reports on poverty and related issues, including IESE and Austral. All these produce quantitative and qualitative poverty data that are, directly or indirectly, relevant to the monitoring and evaluation of Norwegian development aid in Mozambique.

In addition to poverty data produced by Mozambican institutions, international donor organisations commission their own research and studies. Some of these are based on a combination of existing Mozambican data and data collected by the international agencies themselves, the most recent being UNDPs “National Human Development Report”; UNICEFs “Childhood Poverty in Mozambique: A Situation and Trend Analysis”, and the World Bank’s “Beating the Odds: A Mozambique Poverty, Gender and Social Assessment” – all published in 2007. A number of other studies are carried out for international donor agencies on topics more specifically related to their own poverty reduction programmes. One recent example is a study done by the World Bank, the Swiss Development Cooperation and GTZ on urban development and poverty. A second is a study carried out by SIDA on development and poverty in the province of Niassa., and a third is a series of participatory and qualitative studies on poverty funded by DfID.<sup>13</sup> Norway has not, to our knowledge, commissioned similar types of general studies on poverty in Mozambique – with the exception of an overview of relevant institutions and topics (Isaksen et al. 2005)

Perhaps the most unique source of information on poverty in Mozambique is the so-called Performance Assessment Framework (PAF), which is a joint exercise between the Government of Mozambique and the 19 donors, or Programme Aid Partners, currently giving budget support to the Mozambican government (PAP 2008). The government and donors have agreed upon sets of indicators to measure the government’s progress in relation to the PARPA. During two annual meetings (the “Joint Review” and the “Mid-Year Review”), the two parties sit together and define the degree of progress in the various sectors, and where additional efforts and resources have to be invested (see below for more details).

As we see it, then, the point of departure for our assessment of the monitoring and evaluation of the poverty implications of Norwegian aid to Mozambique is i) broad statements in the Aide Memoire between Norway and Mozambique and other key documents that commit the two countries to make poverty reduction the main goal of their cooperation; ii) a programme development cycle regulating the implementation of the development programme between Mozambique and Norway that does not give sufficient *explicit* attention to the issue of poverty alleviation; and iii) a situation in Mozambique where there is ample access to poverty data both from Government, donors and NGOs alike. In the following pages, we will take a closer look at Norwegian aid to budget support, the sector support to energy and fisheries and the support to a ‘classical’ rural development project to assess the current and potential use of poverty data – all with reference to the conceptual challenges and types of data discussed above.

### 3.4 Budget Support

#### Background

Budget support has become increasingly important in Mozambique as the International Monetary Fund, the World Bank and the bilateral donors have come to recognise that further development of

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<sup>13</sup> There are considerable differences in the extent to which such organisations share and make such reports publicly available, and there is no common “depository” for studies of this type.

the country requires resources to fill the gap between revenue and necessary expenditures in the national budget and for improving the balance of payments. The main difference between budget/sector support and other aid modalities is that the funds are channelled through the recipient government and allocated according to the government's prioritising. Hence, it is the country's own allocation and procurement system that handles these funds, and the donors rely on the recipient country's accounting and auditing systems to scrutinise the resource flows.

This aid modality has potential advantages when there are several donors supporting the recipient's right to self-determination over the resources. First, it is more efficient to have one reporting and documentation routine for the entire allocation, in contrast to a donor practice where each donor has separate and unique routines. Second, using the recipient's own systems contributes to the development of the system itself since donors actively follow up and monitor that the reports and documentation are produced according to plan. The functioning of the public financial management (PFM) systems receives much attention in the donor-recipient dialogue on budget support in Mozambique.

At the same time, budget support is often conditioned on economic reforms and the implementation of a poverty reducing strategy. In Mozambique, donors have conditioned their aid upon the GoM's implementation of the PARPA, which has been developed through a donor-driven process. The importance of the poverty reduction strategy to budget support is clearly stated in the MoU between the PAP and GoM: "The overall objective of Programme Aid is to contribute to poverty reduction in all its dimensions by supporting the evolution, implementation and monitoring of the PARPA" (PAP 2005). Moreover, the MoU also contains standard conditionalities concerning macroeconomic policies, such as the GoM's commitments to pursuing sound macroeconomic policies – with reference to IMF programme 'on-track' status or an equivalent judgement. The MoU finally emphasises that the relationship between the PAP and the GoM is a partnership, and efforts are undertaken to align the PAF with the GoM's own progress indicators. Summing up the practical experience, however, it seems safe to state that the relationship between PAP and GoM is primarily donor-driven and makes use of conditionality on a wide range of policies.

#### Aim

The overall aim and the intermediary objectives of Programme Aid Partners' (PAP) budget support to Mozambique are stated in the MoU between the PAP and the GoM (2004). The former is, as mentioned above, to "contribute to poverty reduction in all its dimensions by supporting the evolution, implementation and monitoring of the PARPA". The intermediary objectives are defined as "support poverty reduction in Mozambique by:

- building a partnership based on frank and open dialogue on the content and progress of Mozambique's poverty reduction strategy as set out in the PARPA and made operational through the Medium Term Fiscal Framework (CFMP), the Economic and Social Plan (PES) (including the indicators and targets as defined in the PAF) and the State Budget (OE).
- providing financing to the public sector for poverty reduction, clearly and transparently linked to performance, in a way which improves aid effectiveness and country ownership of the development process, reduces transaction costs, allows allocative efficiency in public spending, predictability of aid flows, increases the effectiveness of the state and public administration, improves monitoring and evaluation and strengthens domestic accountability."

The joint aim of the GoM and the PAPs is to increase the general budget support to 40 % of total aid flows to GoM, but this goal remains to be achieved. In 2005, the share was 31%, while it grew to 34% in 2006 ([www.pap.org.mz](http://www.pap.org.mz)).

## The Norwegian role

The Norwegian budget support to Mozambique started in 1996 and was between NOK 60 million and NOK 80 million annually, for the period 1997-2004. This increased to around NOK 100 million in 2005 and 2006, and is planned to be between NOK 120 million to NOK 140 million per annum from 2006 to 2009. Norwegian budget support represented approximately 5 % of the total general budget support to Mozambique in 2005 and 2006. This figure is expected to remain around 5 % also in 2007, despite the announced scaling-up of Norwegian budget support, as the total budget support from the other 18 PAP budget supporters is expected to increase at approximately the same rate.<sup>14</sup>

The OECD/DAC guidelines for budget support (OECD/DAC 2003) are integrated in the Norwegian guidelines (Norad 2007) and rest on four principles. Budget support should:

- strengthen partner countries' ownership;
- enhance public financial management performance and accountability;
- contribute to reducing transaction costs;
- enhance predictability and reduce aid volatility.

Moreover, the Norwegian guidelines emphasise that the scope and focus of budget support can only be decided within the context of the country and should adhere to the strategies developed by the recipient country.

The Troika is an important institution for the development community in Mozambique, since it leads the follow-up of the budget support to the country. Norway has been a part of the Troika since April 2006, and has assumed the role as chair of the PAP from April 2007 to April 2008. Taking the lead in shaping the donor's cooperation with the Mozambican government is an important opportunity for Norway to sharpen the focus on results, since the Embassy will now be responsible for the dialogue with the government on behalf of the 18 donor institutions. This position gives Norway a stronger influence than its 5% share of aid implies, but it also reduces Norway's flexibility to pursue own viewpoints when there is not a consensus in the group.

## Budget support and poverty reduction

To what extent can one say that the Norwegian budget support has contributed to poverty reduction, and how has the Norwegian Embassy reported on the impacts of these funds? It is widely acknowledged that pooling aid from different donors makes it impossible to investigate the particular outcome of a particular donation to the pool. However, in assessing one own's contribution it may be useful to analyse the implications of a marginal increase/decrease of own aid flows, especially in capacity constrained countries: What would be funded if Norway increased its budget support? What would have to be cancelled if Norway reduced its budget support? This exercise may give a good indication of the potential impact on Norwegian aid for a given situation.

When it comes to budget support one should focus on the absorptive capacity of the recipient country. If the recipient government is close to its capacity for handling aid, then the output would probably decline after increasing budget support. On the other hand, if the government capacity is far from its limits, then there is usually a high marginal effect of increasing the financial support. Such considerations would give a more reasonable way of discussing the results of relatively small

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<sup>14</sup> The PAP donors gave USD 310 million as general budget support in 2006, while the plans have been to scale this up to USD 370 million in 2007. This represents an increase of 19 %, while the announced Norwegian increase will be between 20 % and 40 %. If the increase in Norwegian general budget support amounts to NOK 140 million in 2007, then the Norwegian share of this type of aid to GoM will stand around 6 %.

amounts of budget support, and could hence be useful for Norway. However, it is also clear that changes in the amount of budget support on such grounds may conflict with other aid policies. In Mozambique, donors have agreed to increase the share of each donor's aid to budget support to 40 %, and using considerations of aid effectiveness of marginal changes in budget support may undermine concerted efforts to reach that goal.

Before we turn to Norwegian reporting on results of their budget support, it is illustrative to have a glance at the possible relationship between aid and poverty reduction in Mozambique. It is evident that the decline in income poverty in Mozambique has been impressive during the last decade. The share of people below the poverty line has been reduced from 67 % in 1996/97 to 54 % in 2003 (INE 2004; DNPO 2004). The reduction in income and consumption poverty is highly correlated to the growth in GDP, and this decline in poverty may be attributed to the high economic growth in Mozambique in this period. Arndt, et al. (2006) confirm this pattern for Mozambique, i.e., that growth reduces poverty. At the same time, they find that *aid has, since 1992, made an unambiguous positive contribution to economic growth*, which should be noted as a key point for the Norwegian aid system. Growth has averaged 7.8 % p.a. from 1993 to 2004 – even though there is controversy over the more exact causal links between aid, growth and poverty reduction in Mozambique (Hanlon 2007).<sup>15</sup>

Another feature of the Mozambican economy since 1992 is that there has been a “bounce-back” in agricultural activity. In most poor, post-conflict societies we see an immediate economic growth that stems from the fact that people are picking up on economic activities that they were prevented from undertaking during times of war. Since most of the Mozambican agricultural activity is traditional subsistence farming, there seems to be a minimal role for foreign aid in the share of economic growth that comes from the peace-induced agricultural recovery. From 1996 to 2003, agriculture contributed 1.7 percentage points out of the overall average annual growth of 8.6 percent. If we assume that aid has not played a role in agricultural growth or in the mega-projects, it is illustrative that even excluding these two activities, economic growth has still been close to 5 % annually for the remaining parts of the economy. If aid has been important for this growth, as is indicated by Arndt et al. (2006), then donors should certainly celebrate an aid-success.

It is evident that the agricultural sector is the key to pro-poor growth in Mozambique, and it may be argued that this should receive even more attention from donors like Norway, with poverty reduction being the primary focus of the cooperation. After manufacturing, agriculture was the second largest contributor to GDP growth. Moreover, the World Bank (2005) estimates that 73 % of the poverty reduction from 1996 to 2003 stems from income increases to households where the head was working in the agricultural sector. The reason for its importance to poverty reduction is simple: 70% of the population relies on agriculture as their main income source, mostly through small-scale farming. Given that there are differences in poverty according to gender (INE 2004), it is also of relevance that almost 90 % of the women in the labour force were working as unskilled agricultural labourers in 2003 (Virtanen and Ehrenpreis 2007). The proportion of men working as skilled agricultural labourers, which yields an average of 64% higher income compared to unskilled labour, is three times higher than the proportion of women in such an occupation.

The main increase in agricultural output has come from increasing the area under cultivation and from increased labour input (3.3 % and 1.7 % annual increase from 1992-2001, respectively). As mentioned above, this is a somewhat standard recovery of post-conflict societies where farmers

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<sup>15</sup> If we subtract the contribution of a small number of other so-called industrial ‘mega-projects’, which are perceived to be enclave economies with few forward and backward linkages to the rest of the economy and seems not to be affected by aid initiatives, real growth for the period is estimated by Arndt et al. to an annual average rate of 6.5% (i.e. 83% of total growth).

increase their agricultural activity once peace sets in. Hence, there is reason to believe that additional growth in agriculture requires a new orientation in order to sustain growth of the sector, and it is key for poverty reduction to transform subsistence agriculture into higher-yielding farm activities where surpluses can be traded commercially.<sup>16</sup>

One aim of the general budget support has been to finance the PARPA. In the PARPA (GoM 2006:129), agriculture plays an important role: “In the long run, the agricultural development programme must be oriented towards (1) assistance to small family farms during their gradual transition to commercial operation, and (2) assistance to commercial farmers, encouraging them to boost their production, productivity and competitiveness, thus ensuring satisfaction of basic needs and higher incomes in rural areas, coupled with the establishment of agro-industries that will add value to farm products for both domestic and export markets.”

Despite favourable economic conditions for agriculture, there are several shortcomings in GoM's performance that undermine the agricultural growth and poverty reduction aims of the PARPA. There is a lack of strategic thinking in the rural development programme (PROAGRI II), overstaffing at the central level of the Ministry of Agriculture and understaffing at regional and local levels, and a fragmented approach to rural development with partly contradictory initiatives (Virtanen and Ehrenpreis, and the references therein). In addition to poor performance, the dispersion of the poor in rural areas makes it particularly difficult and costly to reach them with investment in physical and human capital. Nevertheless, agriculture is a priority sector for GoM, and a large share of the state budget is allocated to this sector.

Interesting in the discussion of whether budget support is the most effective poverty reducing tool compared to other aid modalities, is the conclusion from Arndt et al. (2006) saying that the proliferation of donors and aid-supported interventions have diverted government accountability away from the citizens and towards the donors, and has strained the local administrative capacity. Both patterns can act against the long-term development goals and hence poverty reduction, in that they maintain aid dependence and alienate the government from the people. In countries like Mozambique, where a large number of donors target their aid in the form of sector or programme support, budget aid is often more effective than other aid modalities as it strengthens rather than weakens the government's capacity to implement the policies and projects. The alternative to this type of general support, in which the 18 donors supported projects and used their own distinct monitoring, evaluation and reporting routines and where the Government's own input would be crucial for an appropriate feedback to each individual donor, would clearly undermine the GoM's capacity to carry out its main tasks. Nevertheless, directing more of the aid from general budget support towards the agricultural sector would undoubtedly have a positive net effect on poverty reduction, and the principles of general budget support should also be followed for such sectoral support (i.e. sectoral budget support).

### Norway's use of the existing information in assessing budget support

The study team browsed a wide range of documentation at the Norwegian Embassy in Maputo to assess to what extent they were using existing information in Mozambique as a basis for reporting on the performance of budget support to the country. One of the most revealing sources of information for this purpose was the Appropriation Document (MOZ 0094) for Norwegian budget support to Mozambique. This document contains explicit information on the performance of budget support from three main sources, and uses this for discussing the usefulness of continuing Norwegian budget support for Phase Five (2006-2009).<sup>17</sup> The first source is the PAP assessment of

<sup>16</sup> See Virtanen and Ehrenpreis (2007) for further discussions of this point and some challenges for an agricultural reform.

<sup>17</sup> The appropriation letter also mentions the IMF report “Review of the 4<sup>th</sup> poverty reduction and growth facility 2006”.

the new poverty reducing strategy PARPA II.<sup>18</sup> The second is a NORAD report commissioned by the Norwegian Embassy that discusses the pros and cons of continued Norwegian budget support. Finally, the appropriation letter contains the Embassy's own assessment of the viability of continued budget support.

The PAP assessment lists a range of indicators that underline the positive progress in reducing poverty along different dimensions (see Annex 3). Details on primary school enrolment, maternal, under-5 and infant mortality rates and the provision of free Anti-Retroviral-Virus treatment for HIV infection all confirms a good overview of existing data for reporting on progress. The Appropriation Document (MOZ 0094) is not that detailed, but this is a matter of choice to keep it brief – and not an expression of lack of knowledge. The Appropriation Document also discusses the role of the PAF, and there is a copy of the matrix attached to the document. However, there is no discussion about the quality and relevance of the data that is to be used to assess the performance. The data sets have been criticised for being too aggregated and quantitative, and not give sufficient ground for a result-based planning process – with both the government and donor arguing for a stronger emphasis on qualitative data and analysis.

The NORAD report (NORAD 2006) relies heavily on the Joint DAC Evaluation of General Budget Support, which studied budget support to seven countries, including Mozambique. However, several self-assessments are referred to in the report where the Norwegian Embassy (p.8) and NORAD have reviewed the procedures and operations of the budget support to Mozambique up to the first half of 2006. In addition, the report refers to findings from joint donor reviews (p.8 and 10, 14/15) and assessments from the Strategic Partnership with Africa<sup>19</sup> (p.9) (Harding and Gester 2004). There seems to be little comparative analysis of the effects of budget support, as it is claimed that the Joint DAC report is the “first evidence-based study across several countries of the use of budget support”. Moreover, given the principles of recipient ownership and responsibility, there is a surprisingly limited use of GoM's own sources of information, including documentation from line ministries, in the Embassy's assessments.

While the Embassy has profound knowledge about the statistics and the analytical work available in the Mozambican development community that is relevant to budget support, less information is available about how the Norwegian Ministry of Foreign Affairs (MFA) uses this resource. MFA has received a broad range of reports, abstracts and other documents highlighting the challenges of using budget support as a tool for poverty reduction and development in Mozambique. There is, however, no proportionate feedback from the MFA on the challenges that are raised. There can be many reasons for the lack of response from the Ministry. However, there are reasons to argue that there should be a clear and concise agreement that regulates this relationship to avoid disappointments on either side due to differences in perceptions of responsibility.

Taken together, it is our view that the Norwegian Embassy has a good overview of the existing resources useful for monitoring and evaluating budget support in Mozambique. Moreover, the Embassy has also commissioned a study for broadening the foundation for making decisions on possible continued Norwegian budget support to the country after 2009.<sup>20</sup> The Embassy's reporting on budget support to Oslo is less detailed, but this seems to be a deliberate choice to make it more

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<sup>18</sup> “PARPA II 2006-2009. Joint assessment of Mozambique development partners” Draft by the Poverty and Growth sub-group, August 2006.

<sup>19</sup> The Strategic Partnership for Africa body of members consist of the major bilateral and multilateral donors providing assistance to Africa, including the IMF and the UNDP, the UN Economic Commission for Africa (UNECA), the Secretariat of the New Partnership for Africa's Development (NEPAD) and a number of African governments and partners with all sub-Saharan African countries. The goal of SPA is “to support poverty reduction in Africa by increasing the quality and quantity of aid.”, and its work is supported by a Secretariat housed at the World Bank.

<sup>20</sup> Personal communication, Torun Reite at the Norwegian Embassy in Maputo.

convenient for the MFA to give feedback on the most important issues of development in Mozambique.

### 3.5 Sector Support Energy

#### Background

In the following section we will assess the relevance and accuracy of available statistics, figures and reports on electrification in Mozambique, and the extent to which this is used for monitoring and evaluating Norwegian aid to the energy sector and its implications for poverty reduction. Norway has contributed large amounts of aid to this sector since the beginning in 1977, approximately NOK 1.6 billion in current value from 1980 to 2006 (NORAD 2007). The aid has focused on two main areas: technical and financial assistance to relevant governmental institutions (21%), and investments in transmission and distribution lines (79%). From a poverty reduction perspective, a main task of the former is to support the latter, and we will focus our discussion on the implications of the energy support for poor people.

Revealing the relationship between electrification and poverty reduction is not a straightforward task. First and foremost, user fees usually prevent poor people from connecting to the grid, and hence, the possible impact is reduced to indirect trickle down effects on, for example, employment, income, education and health that are usually not evident in the short term. Isolating the trickle-down effects from other developments that impact on poverty in a growing economy has proved to be an inherently difficult task to carry out. The best alternative for impact analyses and programme evaluations of interventions that are aimed specifically at identified beneficiaries (i.e. individuals, households, villages or regions) would, as argued in Chapter 2, be to reveal the counterfactual – but this has not been carried out.

One may gather important information about the plausible impact of electricity on poverty without carrying out the type of research described above. One possible approach is to assess the correlation between household income and consumption and use of electricity. The 1996/7 and the 2002/3 Mozambican household surveys (INE 1998 and 2004) contain detailed information on households' income, expenditure, assets and characteristics for a random sample of 8700 households in the country. The IAF 2002/03 reveals that only 0.2 % of the poorest 20 % of the population (quintile) used electricity for illumination, and that only 1.1% of the second poorest quintile was using electricity for such purposes. In contrast, almost 22 % of the richest quintile used electricity for illumination (INE 2003). Hence, there is a strong bias in favour of the richest in the actual usage of electricity for lighting – a fact that should have been recognised if the data was used more actively and utilised in developing more pro-poor policies for Norwegian aid to the sector. If the distribution of new electricity connections across income groups is similar to the existing distribution, then the impact of electricity on poverty in Mozambique cannot be expected to have a direct effect. The possible indirect effects through employment creation and improved public services require a more complicated analysis – for which there is also a limited empirical basis in the energy sector.

Moreover, the user fee policy will have broader distributional consequences than determining who will be able to utilise the resource. Extending the grid is based on calculations of economic viability, and hence the most disadvantaged areas will be left further behind as they will not be connected to the grid. Using electrification as a component in a broad-based growth strategy needs to take such distributional issues into account, and the design of the programmes and the implicit geographical and social targeting of beneficiaries may have important implications for poverty reduction.

Referring to our discussion of available relevant information in Chapter 2, there *is* some national data accessible on the link between electrification and poverty. One important source is the National Household Income and Expenditure (INE 2004); another is the QIIBB (Questionnaire on Basic Indicators of Well-Being) also published by INE. Finally, INE has a special section on energy on its internet home-page ([www.ine.gov.mz](http://www.ine.gov.mz)), with background information accessible to donors. As we shall see below, this has not been used in any systematic way by the Norwegian energy programmes.

## The Namacurra Electrification Project

In the following section, we will use a recent and concluded rural electrification project (i.e. the Namacurra Electrification Project) to make a more in-depth assessment of the relevance and the accuracy of the Norwegian reporting on the implications for poverty alleviation. The reasons are threefold. Firstly, it is a relatively small project with clear objectives in terms of output, outcome and impact. Secondly, the bulk of the construction was completed in mid-2005, which allows sufficient time for the evaluation of the outcome of the project. And thirdly, efforts have been made since 2005 to “re-create” the foundations for an impact assessment of the project. Scrutinising this work will enable us to say something about the relevance and precision of the monitoring of Norwegian aid to the energy sector.

The goal of the Namacurra electrification project, as described in the Appropriation Document (AD) of 27.08.01<sup>21</sup> is “increased economic activity and enhanced living conditions in the area influenced by the new distribution grid”. The objective was to connect the Namacurra, Maganja and Inhassunge areas to the national electricity grid, supplied with stable power from Cahora Bassa. The project was meant to connect approximately 1000 households to the grid, in addition to one medium and ten small industries and “a number of commercial consumers”. Later documents (see Addendum no. 1 to the Agreement) broaden the aim of the project. It is said to include a larger number of new connections; increased availability of electricity that will facilitate the construction of the planned school buildings and health facilities in the areas; contribute to private sector development and construction ; and contribute to the running of a port in Macusa. The allocation was given as a grant to the Ministry of Planning and Finance which would make the funds available to the implementing institution, Electricidade de Moçambique E.P. (EDM). The AD also specifies the need for a socio-economic baseline study which is to be tendered locally. EDM was responsible for the preparation of the semi-annual and annual reports on the implementation of the project, annual meetings, and audits.

It is argued in the original AD that the project is expected to contribute to the development of a shrimp aquaculture project, copra production, grain mills, carpentry, shoemaking and small restaurants/kiosks – which in turn will increase income generation and employment in the area. There is, however, no assessment or even a discussion on how the project may impact poverty reduction. It is merely stated that the project is in line with the PARPA, which underlines rural electrification as an important tool in combating poverty. However, no such emphasis is made in the PARPA I. On the contrary, it is explicitly stated that the actions relevant for the poorest segment of the population should be focused on research and development of *alternative energy sources in order to prevent environmental degradation*. Moreover, it is the aim of the PARPA to electrify districts with economic potential, and such districts tend to be more advantaged with less poverty compared to districts with less economic potential.

The first stage of evaluating electrification projects is to assess whether the technical requirements and physical specifications as output have been developed according to the relevant project

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<sup>21</sup> Approved by Tove Strand 13.08.01.



documentation (see Chapter 2), which we will not pursue further in this report. The second stage is whether the project has achieved the goals of new connections and clients as project outcomes, and the third stage is the impact of new connections in terms of income, wages, educational attainment, entrepreneurial activities etc. It is notable that the Embassy does not seem to have had a focus on the actual number of new connections in their relations with EDM, despite the obvious challenges noted by the Embassy in their field-trip to Namacurra in June 2006. In the field-trip report<sup>22</sup> it is stated that:

“EDM currently has 170 clients in Namacurra. Most of these are private households. The average private client has a monthly electricity cost of 150.000 (minimum tariff) to 300.000 Meticaïs. Considering the minimum wage of approximately MZM 1.400.000 per month this seems to be a cost which far from everyone is capable of handling.”

There is always the question of when to expect to see the outcomes and impact of a project – the latter will usually not be visible until several years after a programme or project has been completed (see below). Nevertheless, the number of clients in Namacurra a year after the project had been finalised, i.e. 170 clients, stands in sharp contrast to the (revised) goal of the Namacurra project to connect 1200 new households to the grid. After observing the great challenge of achieving this goal in the field-trip, the Embassy should have considered raising the issue of how to achieve the stated goals with EDM. However, in the annual meeting between the Embassy and EDM on the 15<sup>th</sup> of March 2007, the Embassy confined their involvement to asking EDM to provide information about the new customers by category and, according to the minutes, no concern was raised.

Turning to the third stage assessment of the project, i.e., to analyse impact, the ToR for the ‘renewed’ baseline study (MFA 2005) tried to rectify the failures of the first through a thorough evaluation of the impact of the Namacurra project on indicators of well-being across the population (ref). The baseline study was to include a focus on: i) economic activity (including key industries, agricultural enterprises, small-scale industries, roads and transport, tourism), ii) public institutions (including local government, public order [police], health and educational institutions), and iii) socio-economic conditions of poor households (including household agricultural and other production, income, consumption [including energy], education, health, security, and intra-household disparities). The ToR also included a specific request for using a broad set of quantitative and qualitative data, through a baseline study and secondary sources.

Despite the rather ambitious plan for evaluating the impact of the Namacurra electrification reflected in the interesting results of the baseline study (Isaksen et al 2005), there are reasons for concern about the methodological challenges of this study. Firstly, the selection of respondents is *not* carried out in a random manner from a sample frame, and secondly, the “treatment” and “comparison” group are not comparable. However, much information has been collected and a re-assessment planned for 2008 should reveal to what extent the data are suitable to “evaluat[ing] the project goals of economic development and poverty reduction” (ToR, baseline data for rural electrification projects supported by Norway). In order to make sure that the collected data can, in fact, be used to measure impact, the methodological challenges should be analysed before the second round of data collection is carried out.

Upon discovering that the initial baseline study did not pay sufficient attention to social issues and poverty, it is our assessment that the Embassy has taken the task of monitoring and evaluating Norwegian aid to this project very seriously and has prepared for a thorough impact evaluation of the project. However, it should be noted that the Namacurra electrification project was not *designed*

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<sup>22</sup><http://www.norway.org.mz/NR/rdonlyres/22D8CC08-767E-470F-A9FB-27371076B519/49680/ReportfromFieldTriptoZambeziarevidertversion.doc>

with an explicit focus on the poorest segments. On the contrary, the design is one of a standard development project where distributional issues are not addressed. One observation is that the Embassy should have been more demanding in an early phase to get data on the number of connections, main target groups etc. from the EDM, both to signal the importance of making sure that new customers are connected to the grid and to ensure that the project proceeds according to the goals.

The energy sector is potentially an important area for poverty reduction, both indirectly through the creation of employment, improvement of educational and health facilities etc. and directly through the supply of electricity to poor households. A focus on poverty and the implications of interventions for poor people were virtually absent in the initial phases of Norway's energy support to Mozambique, and rather conspicuously so, with all the resources and efforts put into assessing the implications for the flora, the fauna, historical sites, etc. At the same time, data on the possible relation between electrification and poverty have been readily available in a number of national surveys, and could easily have been replenished in the baseline-studies that were made. One reason for the lack of attention to social development and poverty may have been the dominance of technical personnel (i.e., mainly engineers) both on the Mozambican and Norwegian side, without training in social sciences and/or poverty assessments.

### 3.6 Sector Support Fisheries

#### Background

Norway has contributed to the development of the Mozambican fisheries for the last 30 years, in particular to fisheries management and research. It seems safe to state that both the Ministry of Fisheries (MdP) and the Fisheries Research Institute (IPP), to a large extent, are products of the long-term cooperation with Norway. The sector is an important source for foreign exchange earnings for Mozambique, with approximately 28% of total earnings the past few years. Due to the large negative annual current account balance, which was 16.3 % in 2006, it is of major importance to maintain these earnings to balance the inflows and outflows of foreign currency to the country (World Bank 2007). Hence, the fisheries are important to macroeconomic stability and for the country's options for becoming more independent of foreign aid.

The fisheries also contribute to employment creation for the Mozambicans. It has been estimated that the artisanal fishery sector involves around 90.000 fishermen and 30.000 collectors of aquatic products (NCFS 2002). The NCFS (2002) also assert that "... jobs are created in fish processing and distribution, which may amount to up to four times the number of fishermen." Hence, one can argue that the artisanal sector provides employment for 120.000 people directly, and up to 480.000 people indirectly. At the same time artisanal fisheries are, to a large extent, production for own consumption, and is a complementary income source to other types of income-generating activities, agriculture in particular. Hence, it is difficult to get a clear picture of the relative importance of fishery as compared to farm and other non-farm activities. Finally, it is clear from the latest household survey (IAF 2002/03) that fish is important for food security and to avoid protein malnutrition, since the sector provides the most important source of animal protein for the poor. INE (2004) finds that the poorest households spend 9 % of their total budget for food on fish. At the outset, then, the fishery sector is highly relevant for poverty reduction.

The Norwegian fishery aid to Mozambique has concentrated on two different programmes during the last years. One is the sector programme "Continued support by Norway to the development of the fisheries in Mozambique" running from 2005 to 2007 and with a total grant of NOK 65 million, and the other is the "Sofala bank artisanal fishery project" running from 2003 to 2008 and with a

total grant of NOK 54 million. While the first project is a continuation of the capacity-building effort in the fisheries' administration and the research that has characterised much of the Norwegian aid to this sector in the past, the latter is an integrated rural development programme focusing on concrete development projects with a clear poverty-reducing profile. The main focus here will be on the former project, and we will come back to the Sofala Bank Artisanal Fishery project below, as an example of an "old-fashioned" project approach.

The project "Continued support to the development of the fishery sector in Mozambique" contains a commitment from the Mozambican government to implement a sector-wide performance assessment matrix, which also includes objectives of poverty reduction. The follow-up of this commitment and eventual use of these indicators in assessing the Norwegian aid to the sector comes close to the core focus in this report. However, the study team finds several challenges in assessing the possible links between support to fisheries management and research on the one hand and poverty reduction on the other.

One reason is that fisheries are included in the agricultural sector in official statistical reports and research (see for example World Bank 2007, PARPA II, Arndt et al. 2005), and are hence difficult to isolate. A second reason is that the sector reports and sector documentation are "technical" and "biological" in their approach and hence do not pay much attention to the outcome of the projects and their impact on the well-being of poor people. This is the case for Mozambican documents, as well as studies initiated by Norway. The report "A study of the fisheries sector in Mozambique" (Degnbol et al. 2002) points to the fact that there were no aggregated national data regarding the income in fisheries at the time. Despite this, there are no recommendations concerning data collection and monitoring of socio-economic indicators in that study. Similarly, the study commissioned by the Embassy to review the previous Norwegian-Mozambican capacity-building programme in the sector – the "Review of institutional co-operation in fisheries research and management" (Degnbol and Flaaten 2002) – includes a focus on data collection and data processing, but limits itself to data on shrimp and fish stocks and ignores the lack of data and assessment of the possible welfare impact of the efforts in the sector. The studies are carried out in accordance with their respective terms of reference, and are thus probably reflecting the Embassy's own focus on the support to the Mozambican fisheries at the time.

## Continued Support to the Development of the Fishery Sector

The Continued Support Programme's sector development objective is to strengthen government institutions for research-based fisheries management to achieve sustainable aquatic resource utilisation and viable growth of the private sector. This, in turn, is intended to contribute to improved food security, reduced unemployment and indirect poverty alleviation. The programme has six components:

1. *Fishery policy, administration and management*, which includes administrative capacity-building and a system for monitoring, control and surveillance of fish stocks and fishing activities.
2. *Fisheries research and stock assessment*, which aims to strengthen fisheries research and scientific advice to the sector.
3. *Aquaculture development*, which aims at stimulating such production within the FAO "Code of conduct for responsible aquaculture".
4. *Support to private fisheries enterprises*, for creating an enabling environment for developing small-scale business in the sector (initially not supported by Norway).
5. *Miscellaneous projects* including support for establishing a fisheries museum, a MsC programme at Eduardo Mondlane University, upgrading of regional offices and support for research cooperation.

6. *Cross-cutting objectives*, where a fishery sector development programme sensitive to issues of HIV/AIDS, gender and the environment was to be carried out.

A capacity-building programme will not necessarily have an impact on poverty *per se*, its impact depends on its focus and design. It is possible to envisage a scenario where all six components are perfectly implemented, but where the beneficiaries of the efforts are among the better-off in the Mozambican society. However, the programme could well be relevant for poverty reduction, especially if the distributional issues are raised within each of the components. For example, it would make a great difference to the relevance of the programme to poverty reduction whether the administrative capacity-building also focuses on how the resources in the sector can benefit the poorer segment of the population. Similarly, aquaculture development has the potential for generating employment for poor people and income that could stimulate other parts of the economy (local entrepreneurial activities and service delivery). Stimulating such effects of the component would render the project relevant for poverty reduction, while disregarding these opportunities could make aquaculture more of an enclave economy. Hence, assessing the relevance of the Norwegian contributions under this programme with respect to poverty reduction means to investigate to what extent the programme has included a focus on poverty in implementing the particular components.

Going through the Agreement, the Programme Document “Continued Support by Norway to the Development of the Fishery Sector in Mozambique” (dated 11.02.2005) and available minutes from annual and technical meetings reveals that the relevance to direct poverty reduction of the various components seems limited. The Programme Document (PD) touches on the issue by stating that the programme will include support to institutional development that will strengthen the Ministry’s role for poverty alleviation (p. 25), but the sole expected output specified is to establish the capacity for IIP to participate in socio-economic analyses (p. 31). Moreover, there does not seem to be any follow-up of this point, on either the Mozambican or the Norwegian side.

Two of the six components discussed in the PD are relevant for direct poverty reduction and they constitute 12 % of the budget (the Agreement, Annex 1). The first is the component for the development of aquatic culture (p. 32 to 34 in the PD), an activity which is said to be “a top priority of the Government in terms of poverty alleviation and malnutrition in rural areas and future incomes from commercial farming”. In the assistance from Norway, as requested by Mozambique, however, the focus is on stimulating and preparing the foundations for larger scale commercial farming through new legislation, planning, disease control and management, as well as developing a site selection tool for new investments due to the inherent conflict in land use. Distributional aspects and poverty issues of the different interventions are not discussed in the Norwegian support to the sector, despite its importance to the overall Norwegian goals as specified in the PD.

The second aid component that is relevant to poverty reduction is included in the “Development of fisheries enterprises” (p. 34 – 36 in the PD), where one of the expected outputs is reduced poverty in fishing communities. The objective of this component is to develop and implement a strategy for the provision of credit to small-scale fisheries enterprises, and to identify target groups and financial instruments for credit provision and secure funding for credit provision to micro (i.e. informal business) and small-scale activities (i.e. formal business). The inclusion of the informal micro enterprises implies that the component will have a direct effect on poverty to the extent that the implementation is successful, since informal business of this kind usually is solely driven by poor people. It is, however, unclear what share of the resources of this component would get such a poverty-reduction label, and what share would go to better-off fishermen and enterprises in the formal sector. Nevertheless, it constitutes a good example of how Norway can contribute to capacity-building and still be highly relevant for poverty reduction, but this is the one component that the Norwegian Embassy at least provisionally declined to fund (the Agreement, p. 2).

Finally, it should be noted that there may be a conflict between artisanal fishery and the larger-scale commercial fishery that the institutional cooperation seems to have favoured. Anecdotal evidence suggests that the larger fishing vessels may damage the fishing equipment that is used by artisanal fishermen. It appears that this conflict has not been followed-up by the Ministry of Fisheries as a cooperating partner and the Embassy, despite its apparent importance to the situation of many poor artisanal fishermen, and despite the fact that the issue was raised by the fishing community during a field-trip to Pebane, carried out by the Embassy.<sup>23</sup> However, the incidents underline the importance of the monitoring and surveillance of the industrial fleet and illustrates that Norwegian efforts in capacity-building for improved management and surveillance (component 1 in the Agreement) can also be important to indirect poverty reduction.

## Reporting on Results

The Norwegian Embassy's follow-up of the Continued Support Programme reveals that the focus has been on the paramount general objectives, and not on more detailed goals of improved food security, reducing unemployment and direct and indirect poverty alleviation. The Agreement states ([www.Norway.org.mz](http://www.Norway.org.mz)) that the reporting in the annual progress reports should be made with direct reference to the Performance Assessment Matrix as specified in Annex 1 in the Agreement. However, this has not been carried out by the Ministry of Fisheries on either of the indicators.<sup>24</sup> Even though reporting on some of the indicators requires significant effort and statistical knowledge, there does not seem to have been any attempt to report on any of the indicators. In light of the fact that important progress could have been made by focusing on the more easily available indicators, it is surprising to find that there has not been a tight focus on this point from the Norwegian side.

The Embassy's follow-up on Mozambique's obligation to report on the specified indicators is confined to bringing the issue up at the annual meeting in 2007. Discussions with the advisor to the Minister of Fisheries, Ms. Lúdia Abiba, revealed that raising the issue at the annual meeting will not be enough to create an interest in the Ministry of Fisheries for documenting the fulfilment of the goal of poverty reduction. The advisor argued that it was very time-consuming and perhaps not very efficient to prepare the detailed reporting requirements specified in the annex, and was clear on the fact that this would be burdensome for the Fisheries administration. She was of the opinion that the Ministry of Fisheries should set its own progress indicators and monitor them accordingly without the involvement of the donors. At the same time, however, she underlined that the Ministry would try to report according to the specification in the agreement, but only because the Norwegian Embassy requested such reporting.

The case of the fishery sector programme thus highlights several challenges for reporting on the implications of Norwegian aid on poverty in Mozambique. In addition to the challenges of being sufficiently specific in basic programme documents and actually identifying or producing relevant poverty data, recipient institutions may have different perceptions and agendas regarding the importance and relevance of such a focus. It may be argued that the new programme started off by taking the ultimate goal of poverty reduction seriously, but that the focus has been lost during its implementation. Surprisingly, the importance originally attached to the issue of poverty reduction also seems to have been lost in a recent mid-term review of the programme, which makes the classical mistake of assessing programme output rather than programme outcome with reference to its main development and poverty reduction objectives.

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<sup>23</sup> <http://www.norway.org.mz/DevCoop/Fish/Fish.htm>

<sup>24</sup> Interview with Lydia Abiba, Advisor to the Minister of Fisheries, 23.08.07.

## 3.7 The Sofala Bank Project

### Background

The Sofala Bank Project is a comprehensive community development programme that includes five different components aiming to improve the well-being of 26.000 fishing households (130.000 people) in the southern part of Nampula Province, Zambézia Province and Sofala Province. Running for six years, the project cost is estimated at USD 30.7 million and is financed by IFAD (59%), NORAD (19%), the Belgian Survival Fund (11%), GoM (10%) and project beneficiaries (1%). It is implemented by the Institute for the Development of Small-Scale Fisheries (IDPPE), which is formally part of the Ministry of Fisheries, but in practice operates largely as an independent unit, partly due to its ample funding basis. Its main components can be summarised as follows:

1. Community development, including co-management, social infrastructure, health care and education.
2. Fisheries development, including resource management, product diversification and post-harvest utilisation.
3. Market support and roads.
4. Financial services, including group savings and loans, and enterprise credit.
5. Policy – legislative and institutional support, including project management.

The project thus represents a ‘classical’ development project, with a clear time-frame, a clear target group, and activities that are concrete with measurable outputs. It is implemented by a competent institution which has a well-developed structure of regional offices, and a number of individuals who have long experience in the sector and with fieldwork. It also reaches a large number of beneficiaries. As has been pointed out in several reviews, one of the main challenges for the longer term sustainability of the project is the limited involvement with other relevant public institutions in areas such as health, education, roads and financial services. Integration of interventions in public structures is, of course, one of the main arguments for more comprehensive sector programmes.

### Reporting on Results for Poverty Alleviation

It seems evident that the Sofala Bank project is highly relevant for the reduction of poverty along several of the dimensions discussed in Chapter 2, including income, health, knowledge and empowerment. Moreover, the interviews at the Institute for Development of Small-Scale Fisheries (IDPPE) revealed that there is a promising framework for conducting monitoring and impact evaluations of the project. Data were collected on a broad scale at the initiation of the project in the form of a baseline study (Muchave 2003), and subsequent reviews have also maintained a focus on the project’s outputs relevant for social development and poverty alleviation. The IDPPE also confirmed that they are planning to collect information on indicators of poverty and well-being during 2008 with the help from consultants to develop the methodology and design even further. If the data collection is carried out in a proper manner and repeated a couple of years after the programme has been finalised, then one should be in a good position to ascertain the longer-term impact of the programme for poverty reduction.

The reporting on the progress of the Sofala Bank project so far seems to be implemented according to agreements between IDPPE and the donors. The first tri-term review report was available from 9th of January 2006; there was an IFAD/UNOPS Follow Up Mission carried out from 13 to 20 July 2007 (Aide Memoire 20<sup>th</sup> July 2007), and the second tri-term report is scheduled for the first quarter of 2008. The results as reported in these documents are, due to the lack of time to carry out a follow-up of the baseline data, so far focused on output indicators like the number of health units,

schools and water points constructed. One recommendation from the IFAD/UNOPS mission is to reorganise the monitoring, evaluation and reporting system to better capture longer-term impact data, which will imply a reassessment of aspects of the quantitative data in the baseline-study. With a clearly defined and identifiable target-group (i.e. artisanal fishermen, their families and their communities), it also seems like a good case for employing a broad set of participatory and qualitative approaches to the monitoring and evaluation of poverty reduction.

Taking the central objective of poverty reduction in Norwegian development aid to Mozambique as a point of reference, there are good arguments for a renewed focus on concrete and targeted projects such as the Sofala Bank project. They are also easier to monitor and evaluate in a way that is useful and informative both for the aid bureaucracy and for the larger public. Having said this, we have also argued that such projects become isolated from larger political and economic structures more easily and are less likely to be sustainable, which, of course, was a main reason for such projects largely being discontinued in the 1990s, with the transition to sector-wide programmes. As we will argue in the concluding chapter to this study, however, there are good arguments for combining the two approaches in the sectors where Norway is involved. Interventions on the levels of policy-making, management and allocation of public (and aid) resources should have implications on the level of poor people as the primary target group of all Norwegian aid. One way to monitor and evaluate this is to carefully select a limited number of communities and follow the implications of the broader interventions in energy, fisheries, health or whichever sector may be chosen at a later stage. In fisheries, searching for the implications of 30 years of support to fishery management and research is likely to be a fairly depressing exercise.

Before ending this report on the system of accounting for poverty reduction in Norwegian development aid to Mozambique by presenting some alternatives, we will briefly describe the related systems used by the Mozambican government and two other donors, who in many ways, represent opposite cases.

## 4. Alternative Poverty Monitoring and Evaluating Systems

### 4.1 The Government System

The Government of Mozambique's (GoM's) framework for assessing results of aid to Mozambique – the Performance Assessment Framework (PAF), is “a multi-annual matrix of priority targets and indicators based on the PARPA, updated on an annual basis through the Economic and Social Plan (PES) process and agreed through cross-governmental dialogue.”<sup>25</sup> The matrix for 2007 to 2009 contains 40 targets selected from the PARPA II Strategic Matrix, and specifies indicators on poverty, public finance, governance, human capital, economic development, and cross-cutting issues like HIV/AIDS, gender, rural development and the environment (see Annex 3). The Government, together with the 18 Programme Aid Partners (PAP) presented earlier, assess the performance on an annual basis (MoU 2004). The assessment of the performance is consequently not only based on the PAF indicators as such, but also on the annual joint review and the joint mid-year review – both of which evaluate progress against the PES and the State Budget (*Orçamento do Estado*, OE) and with reference to the PARPA and the Medium Term Fiscal Framework (CFMP).

For the particular purpose of developing objectives and targets for improving the *monitoring and evaluation system* relevant for poverty reduction, the PAF seems inadequate and does not include output indicators on improvements of this system. The aim pertaining to the “poverty analysis and monitoring systems” component in the PAF has the objective of making “adequate, precise, disaggregated and timely information on the implementation of the PARPA available to all key agents”. In other words, the objective concerns *dissemination* of results, which is unrelated to the overall aim of improving the poverty analysis and monitoring *systems*”.

The only concrete action under the overall aim of “poverty analysis and monitoring systems” in the PAF is the Provincial Poverty Observatory (PPO), carried out in each province. The PPOs are consultations where representatives from provincial governments, civil society organisations and cooperation partners participate. The participants discuss issues relevant to poverty reduction, and they participate in the development and fulfilment of the strategy by proposing actions to reduce poverty (see PARPA II, Annex 1: Summary of the PPOs). The PPOs are important arenas for stimulating discussion and for collecting qualitative information and subjective opinion on issues of poverty among some key stakeholders. The PPOs reflect the opinions and experiences of the invited groups and individuals from provincial government, organisations of civil society and the aid community – even though the real representation of the poor may be questioned.

There are several indicators in the PAF that potentially may be useful for reporting on poverty reduction. However, we see two problems. One is that the indicators are output-indicators of physical and social services, and do not in themselves say anything about poverty reduction among households and individuals as such (see below). The second and interlinked problem is that there is no accompanying information confirming that the physical or social services provided actually reach the poor. One issue here has to do with geographical coverage; another has to do with mechanisms of marginalisation and exclusion on the ground. Research shows that there are barriers in access to a number of services, particularly related to *de facto* fees and other costs.

<sup>25</sup> i.e., across Mozambican governmental institutions.



Most of the poverty related output indicators in the PAF are listed under the “Human Capital” pillar. Indicators like infant and child mortality rates, coverage of institutional births, number of water points constructed and school enrolment rates are indications on outputs that should reduce the poverty (broadly defined) of households but are not directly linked to data on poverty and poor people. On the conventional poverty definition of an income/consumption-based poverty line, the targets under the component “Social Action” are the most directly relevant. The efforts are focused on implementation and expansion of the Social Protection Programmes like direct social aid, food subsidies, social benefit through work and income generating programmes directly targeting the poor.

The tools for assessing the *outcomes* of the efforts described in the PAF matrix for poverty and well-being are discussed in PARPA II, chapter 10. Two important challenges relevant for this study are highlighted. First, it is underlined that the monitoring and evaluation of the progress of the PARPA must be improved through implementing missing tools like the Annual Impact Report (RAI). RAI is intended to be an analytical and explanatory document that makes use of all available analytical documents that are relevant for the aims of the PARPA, that meet the scientific standards and address the possible relationship between causes and effects. This includes analytical work outside the Ministry of Planning and Development (MPD). Secondly, and in the same vein, it is emphasised that the MPD’s analytical ability to relate the causes and effects of public policy must be strengthened. Meeting those challenges would enable the GoM to address the impact on outcome indicators in a more profound way than what appears to be the case today.

The aim of the PARPA II, when it comes to monitoring and evaluation, is to triangulate quantitative information from the IAF, the QUIBB and IDS with information generated from qualitative studies and the RAI. In the absence of the RAI, there seems to have been a practice of using a wide range of data in analytical work. The MPD (2004), for example, makes use of the IAF 2002–03, the 1997 Population and Housing Census, the IAF 96–97, the QUIBB 2000–01, the QUIBB 2002–03, the TIA 2002, the HIV prevalence data as well as data from INE’s National Accounts and the Famine Early Warning System (FEWS) at MADER. The MoP has a wide range of documentation that can be used as a foundation for assessing the outcome of poverty reducing interventions (see their web site<sup>26</sup> for more information and full list of discussion papers from 2004 and onwards). The GoM, in cooperation with the other partners, commissioned different quantitative and qualitative poverty studies during 2006. Two examples are mentioned in the Joint Review 2007 (Aide Memoir dated 30. April 2007), i.e., UNDP’s Human Development Report and the UNICEF study “Childhood poverty in Mozambique – A situation and trend analysis”.

The study team finds that the INE and the MPD and its research department (DNPO) are particularly important institutions for assessing results as the former collect and process the major data sets necessary to assess the progress of the poverty indicators of the PAF, while the latter takes the responsibility for having the analyses carried out. Browsing through the MPD website referred to above, it is clear that there are many discussion papers of high quality. However, the problem is still that the two bodies of data and knowledge – i.e. the quantitative output-data produced through the PAF and the poverty assessments made by the Ministry of Planning and its partners – do not ‘speak to each other’ in the sense that it is possible to link input directly to outcomes in terms of poverty reduction.

## 4.2 Other donors

The World Bank seems to play an important role in analysing available data in Mozambique and for providing the other donors with in-depth studies of changes in poverty and well-being among

<sup>26</sup> <http://www.mpd.gov.mz/gest/publicat.htm#Discussion%20papers>

Mozambicans. Their latest report (*Beating the Odds: Sustaining inclusion in a growing economy*, World Bank 2007) is a comprehensive analysis of changes in poverty, gender and social aspects from 1997 and to 2006. Although the main source of information is the IAF 1996/07 and 2002/03, they also use a wide range of other data sources like the two cross-sectional demographic and health surveys (Demographic and Health Surveys 1997 and 2003), the cross-sectional rural income surveys (Trabalho de Inquerito Agrícola, TIA) from 1996 and 2002 and panel survey data from 2002 and 2005, and the small quantitative and qualitative Poverty and Vulnerability Survey (PVS) of households, groups and individuals in four provinces. Hence, the World Bank's use of available data, and the fact that they collect their own data to supplement these resources, represents a useful contribution to the other donors' need for monitoring and evaluating the progress of poverty in Mozambique. Moreover, it is possible for donors to draw on these resources and feed important input into their own monitoring and evaluation by taking active part in dialogue with the World Bank.

DfID is a major donor in Mozambique, with a total budget in 2007/08 of £ 60 million. Its development programme focuses on budget support (60 percent in 2007 and expected to increase to 75 percent by 2010), with a more modest direct support to social sectors, rural water, roads and financial support to civil society organisations and HIV/AIDS. There is a strong focus on poverty reduction throughout the programme, with the new Country Assistance Programme emphasising the "importance of staying focused on the results that matter for poor people and moving our policy debates towards results and impact" (DfID 2007). The organisation has an elaborate system for monitoring and evaluating the impact of its activities for poverty reduction, expressed in their Country Assistance Programme (CAP) and easily accessible on internet in English and Portuguese. Three aspects stand out compared with other donors in Mozambique.

One characteristic of the DfID programme is the focus on the implications of the political context for the possible fulfilment of its targets, summed up in the "DfID Mozambique Country Governance Analysis". Particular emphasis is given to the issue of accountability, through direct engagement with state and non-state institutions which is necessary to hold the government accountable and provide a voice for the citizens. Their success will be measured against a concrete set of indicators of improved governance for the poor in Mozambique:

- Enhanced civil society capacity and voice in the governance of Mozambique – measured through a significant improvement in the World Bank's voice and accountability index;
- Reduced corruption – measured through the Mozambican Perceptions of Corruption Survey and the Transparency International measures;
- Increased satisfaction with service delivery amongst citizens from a baseline assessment in 2007;
- Free and fair elections in 2007 (Provincial), 2008 (Municipal and Parliamentary) and 2009 (Presidential).

A second characteristic of the DfID programme is the very conscious way they link their own targets for poverty reduction to Mozambican objectives, as these are expressed through the Government's poverty reduction strategy PARPA and the MDGs. By doing it this way, DfID in practice links their own success to the policies and interventions of the government in a very direct way, and thereby takes seriously the principle of recipient responsibility. DfID will explicitly measure its own success in six areas taken from the government's poverty strategy. These are:

- HIV and AIDS – reduce the incidence of HIV among youth from 14 to 10 percent;
- Improved access to health care – demonstrated by 90 percent of children immunised with full immunisation package and 56 percent of mothers a year giving birth in an institution;

- Education – a doubling in the rate of completion by girls of their upper primary education;
- Access to water – 3,000 new rural water points built and maintained, bringing access to rural water up to 53 percent;
- Access to roads – a 30 percent increase in the percentage of the rural population living within two kilometres of an accessible road;
- Social protection – doubling the number of vulnerable people benefiting from social protection to 300,000.

And the third characteristic of the DfID programme is a demanding home office, requiring that the results of DfID's engagement in Mozambique be presented in an accessible manner for policy-makers and the general public in Great Britain. This can be exemplified by the use of “traffic-lights” to indicate the extent to which the broad development goals have been fulfilled and the conscious use of case-studies of communities, households and individuals to bring the programmes down to their real target groups – all being easily accessible through the DfID Homepage.

An opposite case seems to be represented by Danish development aid through DANIDA. DANIDA has not followed the other donors in directing their aid towards budget support, and largely continue with the traditional approach of giving aid directly to projects and programmes. Moreover, they seem to be following a more hands-on strategy in their programmes and projects with a range of different Danish advisors to the different Danish aid projects, many of which are located in areas outside Maputo. Hence, the monitoring system of Danish aid is more decentralised and specialised as compared to that of most other donors. However, in terms of usefulness for monitoring and reporting on the use of aid and its impact on poverty reduction, two reflections can be made. Firstly, specialised advisors may be useful for the implementation of specific programmes and projects, but less so for assessing and reporting on results and impacts at more aggregated levels (regional, national). Secondly, such advisors provide key information on project implementation on a timely basis, but may not strengthen the recipient's own reporting system as is the case where demands are put on the recipient Mozambican institution from the donor agency.

In an aid landscape in which DfID and DANIDA seem to represent two opposite approaches among ‘like-minded’ countries, both to aid as such and to the monitoring and evaluation of its results, Norway seems to find itself somewhere in between. While giving increasing attention to budget support and its accompanying joint frameworks for monitoring and evaluation, the monitoring and evaluation of the sector programmes in energy and fisheries, in particular, are still very much based on Norwegian systems and opinions – at least partly as a result of the continued strong presence of Norwegian personnel in these programmes.

### 4.3 Presenting Results

We have hitherto primarily focused on the system of accounting for poverty reduction in Norwegian development aid to Mozambique for ‘internal’ MFA/Norad use. As argued in the introduction to this study, part of the controversy around the results of Norway's aid has focused on what is available in public space. The new ‘flagship’ *Resultatrapport 2007* (Norad 2007) is an attempt to answer the critics who have asserted that Norad has focused too much on aggregated data of the Millennium Development Goal type, which may be important but says little about the results of Norwegian development aid. Others have criticised the institution for being too focused on emergency situations and the fate of poor individuals, which again may be important for ‘selling’ the use of public funds for development aid but says little about the overall effects of Norwegian aid.

This does not, of course, give the whole picture. From 1962 to 1993 Norad published detailed annual reports covering multilateral as well as bilateral aid, and this continued in a more limited format until 2005. However, both primarily presented facts and figures on country and Norwegian aid, with limited attention to the results of the programme for poverty alleviation. From then on, the only all-encompassing report on Norwegian development aid has been the Budget Proposal to Parliament which is fairly technical and relatively short in its descriptions and analyses – and not something the ‘interested public’ is likely to pick up. In addition, there has always been, and still is, a wealth of individual reports and evaluations on specific aid strategies, aid sectors, programmes and projects etc., that are primarily read by the *very* interested public.

Norad has recently acknowledged that there is a need for more coherent presentations of the results of Norwegian development aid, in the form of the new *Result Report 2007* with the subtitle “Aid Works – but not well enough”. It combines a presentation of global development trends, Norwegian aid partners and financial structures, a presentation of results in nine main areas of cooperation as well as a special focus on aid to Zambia, analysed in its historical and political context. Reviews have generally been positive, but there have also been critical voices saying that the only thing the report does not do is answer the key question it set out to answer, namely whether Norwegian aid works (Toje 2007). His main argument is that the analysis still misses out on the most relevant level of analysis, between the global or regional aggregate and the individual where one can assess the results of Norwegian aid within a context.

We argued in the introduction to this study that the national level may be the most relevant echelon of analysis in which to make proper assessments of the impact of Norwegian development aid on poverty within its relevant political and economic context. With the principle of recipient responsibility and the new aid modalities, perhaps the most important aspect of this context is the will and capability of national governments themselves to carry out pro-poor policies. Searching “Mosambik/Mozambique” on the MFA and Norad web-pages takes one to the home-page of the Norwegian Embassy in Maputo (where we have seen there is a detailed, albeit slightly outdated, list of programmes and projects with limited attention to the implications for poverty reduction) and a very long list of 126 individual assessments and evaluations – but no contextualised overview being close to answer the question of whether “Norwegian aid works in Mozambique”.<sup>27</sup> This is not the place to speculate about why this may be so. As we have argued in this report, there is enough knowledge and data in Mozambique in general as well as at the Norwegian Embassy in order to be able to say something useful. We suspect the answer may be found in a limited focus on the utility of gathering such information and popularising it in MFA/Norad in a way that makes it accessible both to the particularly interested and general public. As we shall elaborate in the concluding chapter, a critical version of the old Norad Report, with a focus on results, may do the trick.

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<sup>27</sup> Searching SIDA’s web-page for Mozambique is a different experience: The first three listed publications give a good overview of the country, Swedish aid and poverty (“SIDA Country Report Mozambique”; “Swedish Cooperation in Mozambique”; “Poverty in Mozambique”).

## 5. Towards a System of Accounting for Poverty Reduction

We have argued in this report that there are three types of intervention for poverty reduction. These are i) general structural approaches aimed at underpinning pro-poor policies, ii) inclusive actions where poor people are affected as members of a broader group of beneficiaries, and iii) interventions directly or predominantly focused on different categories of poor people. The system of monitoring and evaluation should, we have further argued, be able to say something about the extent to which all of these interventions improve the situation of poor people in a country (see Chapter 2). Our main findings have been:

1. There has recently been considerable attention to and demand for improved systems of accounting for poverty reduction in Norwegian development aid, both from the aid bureaucracy itself and the interested public.
2. Recent debates have been polarised between the relevance of monitoring “indirect” implications and “direct” implications for poverty reduction, made increasingly relevant with the new aid modalities of budget and sector support.
3. This study has argued for an intermediate position, emphasising the need to account for indirect implications of Norwegian development aid for pro-poor policies and interventions in the recipient countries, *as well as* the likely or actual impact of these interventions for poor people.
4. In a complex aid landscape like Mozambique, the best way this can be done is to use a combination of national data as these appear in national planning, budgeting and monitoring systems, and data specifically collected as part of the Norwegian programme development cycle.
5. A basic problem in accounting for poverty reduction in Norway’s current programmes and projects is the limited extent to which the concept of “poverty” appears in key planning, monitoring and evaluation instruments. This is partly the result of an unclear perception in the Norwegian system of what the ultimate goal of poverty reduction actually entails.
6. The limited focus on the goal of poverty reduction in Norwegian development aid is also the result of the dominance of technical experts in projects and programmes who are not sufficiently trained in or focused on poverty reduction.
7. The assessments of the implications of *budget support* for poverty reduction leans heavily on a common Performance Assessment Framework between the Mozambican government and the 18 donors currently involved in this aid modality. The Embassy has a well-established system of following up the monitoring and evaluation of budget support through these systems, but there are problems demonstrating the link between input and output on the one hand, and outcomes in the form of poverty reduction on the other – mainly as a result of the inadequate link between the aggregated data used and the poor as target group.
8. The *energy sector* support focuses on a combination of the development of key government institutions and the supply of physical infrastructure in the form of power-stations and electricity grids. The ultimate goal of poverty reduction is not clearly stated and has not been systematically followed up in the monitoring and evaluation of the various programmes. A baseline-study of socio-economic indicators has been made for one individual project, and it remains to be seen if this can be used as a basis for measuring the actual impact on poor people.
9. The *fishery sector* support primarily focuses on the development of government institutions and fishery research. Neither, in this case, has there been an explicit focus on the implications of the various programmes for poverty reduction. The most recent programme, Continued Support to the Fishery Sector, has developed sets of indicators of poverty reduction, but these have not

been systematically followed up partly due to a disinterest from the Ministry of Fisheries as a cooperation partner.

10. The Sofala Bank Artisanal Fishery project is an example of a *classical development project* with socio-economic development of fishing communities as its primary objective. The project has a clear poverty alleviation focus and has worked systematically to monitor implications for poor people – centred on a base-line study done at its initiation. However, the project is largely detached from other government structures which may jeopardise its sustainability.
11. Norway's approach to the monitoring and evaluation of the poverty implications of its programmes may be described as an "intermediate" position between relying heavily on the systems of the Mozambican government (as DfID does) and own systems and information (as Denmark does). While this is positive, it is still not systematically implemented in the current programmes.
12. The system of reporting on the poverty implications of Norwegian development aid at the national level from the Embassy to the Ministry of Foreign Affairs and Norad seems inadequate – with the result that it is difficult to get access to relevant and readily available information on the link between aid and poverty reduction for countries like Mozambique.
13. Such contextualised information would fill what seems like a missing intermediate level in the current system of result dissemination between aggregated quantitative poverty data at the regional and international level, and a focus on poor households and individuals and their life-situations.

## 5.2 Recommendations

1. The implications of the overall objective of poverty reduction in Norwegian development aid for individual programmes and projects should be re-emphasised and clarified to all involved actors.
2. The concept of 'poverty' should be more clearly defined based on a multi-dimensional understanding including material poverty, social deprivation, vulnerability and powerlessness.
3. The overarching goal of poverty reduction should be reflected in the monitoring and evaluation of *all* programmes and projects by identifying the implications for poor people.
4. 'Poverty' should be entered as a key concept in all phases of the programme development cycle – making it necessary to relate to it for all actors and from the very start of the programme cycle.
5. To secure also a focus on poverty reduction in more 'technical' programmes, social scientists should be involved both in planning, implementation and evaluation.
6. Where feasible, proper and scientifically sound systems of monitoring and evaluation (with 'counterfactuals') should be carried out as 'test cases'.
7. For larger sector programmes, a limited number of localities should be selected to monitor and evaluate the implications of support to macro level policies and institutions for poor people.
8. Reporting on the implications of programmes and projects for poverty reduction should be done on the basis of a combination of quantitative and qualitative data to be able to ascertain the causal relations between aid and poverty reduction.
9. To assess the long-term impact on poverty, time and funding should be made available to carry out final impact studies three to five years after programme or project termination.
10. Poverty data should, to the extent possible, be taken from sources of information in the partner country, to secure ownership and relevance.
11. The division of responsibility in MFA/Norad for receiving and redistributing information on poverty issues from individual countries like Mozambique should be more clearly defined.
12. More emphasis should be given in Norway to popular and contextualised presentations of development aid and poverty reduction in individual countries like Mozambique – with the general public as target group.

13. Norad should improve its internet pages by making it easier to search and get contextualised information on individual countries of cooperation – both for interested adults and school children.

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# Annex 1: Terms of Reference

## 1. Background

Poverty reduction is the overarching goal of Norwegian development assistance as expressed in the “Government Plan of Action for Combating Poverty in the south towards 2015”, and the Norwegian Agency for Development Assistance (Norad) aims to be the centre for evaluation, quality assurance and dissemination of results in its “Strategy Towards 2010”. At the same time, the Ministry of Foreign Affairs and Norad acknowledge that we know too little about the results of development aid and that Norway must make greater demands on both itself and its partners to document results (see “Norad’s Strategy Towards 2010”).

A number of initiatives are currently under way to improve the documentation of the results of Norwegian development aid for poverty alleviation – both within the confines of the project and programme development cycles and vis-à-vis the interested public at large. As part of this effort, this project will assess the system of monitoring and evaluation of the impact and results of Norwegian aid to Mozambique – which is Norway’s second largest partner of cooperation in Africa. Total Norwegian aid to Mozambique is NOK 330 million (2006), of which 50 percent went to sector support in the areas of health, energy and fisheries, 25 percent to budget support and 25 percent to other projects.

## 2. Objective of Study

The main objectives of the study are:

- to assess the relevance and level of precision of the current system of monitoring and evaluation of the results of Norwegian development assistance to Mozambique on poverty reduction.
- to come up with possible suggestions as to how this can be improved within the context of the current project development cycle, as well as in relation to the need to make the results of Norway’s development aid more accessible to the interested public.

## 3. Key areas of Analysis

The key areas of analysis will be as follows (approximate number of pages in brackets):

### *Introduction (5)*

- Poverty reduction as an overarching goal in Norwegian development aid (what does it really mean?)
- Brief background to the call for more and better data on the results of Norwegian aid, and current Norad initiatives
- Brief background to poverty and aid in Mozambique, and presentation of divergent views on systems of monitoring and evaluating results
- Outline of study

### *Some Conceptual Clarifications (10)*

- On the concept of poverty (material poverty, social deprivation, vulnerability and disempowerment)
- The implications of the principle of recipient responsibility for poverty monitoring and evaluation
- The implications of the new aid modalities (budget and sector support) for poverty monitoring and evaluation

- The relative importance of primary objectives (output/outcome) vs. long-term goals (impact) in poverty monitoring and evaluation
- The relation between macro and micro effects of poverty reduction policies and interventions
- On the utility of combining quantitative vs. qualitative approaches and data in poverty monitoring and evaluation
- The challenge of maintaining recipient ownership under the conditionality regime (conflicting goals)
- On the issue of causal links between aid and its overall impact on growth and development.

*Norwegian Aid to Mozambique and its Focus on Poverty Reduction (10)*

- Brief history of (Norwegian) aid to Mozambique
- The Project Development Cycle and its focus on poverty reduction
- Budget support
- Sector support
- Project support

*Alternative Systems of Monitoring and Evaluating Poverty Impact (10)*

- Government
- Civil society
- Other donors
- Joint Performance Assessment Framework
- Research and evaluations

*Towards a System of Accounting for the Poverty Impact of Norwegian Aid to Mozambique (5)*

- Assessing the relevance and precision of the current system
- Measuring direct and indirect impact of Norwegian aid
- Monitoring Norwegian aid in a complex setting
- Bureaucratic vs. popular requirements for assessing results

#### **4. Methodology**

The project will be carried out through i) initial discussions with Norad and the Department of Quality Assurance and/or the Evaluation Department, ii) reviews of relevant literature on Norwegian development aid and poverty in Mozambique, and iii) fieldwork (1 week) in Mozambique interviewing staff at the Norwegian Embassy and other stakeholders.

#### **5. Reporting**

- A debriefing presentation shall be held at the Norwegian Embassy at the end of the fieldwork period in May/June 2007.
- A draft report shall be presented no later than the end of August 2007, and final report no later than two weeks after receipt of comments on the draft.
- A presentation shall be held at NORAD, Oslo, after submission of final report.

#### **6. Team**

- Inge Tvedten (CMI). Senior researcher/anthropologist with experience in aid administration and poverty research in Mozambique.
- Espen Villanger (CMI). Research Director/economist with focus on aid systems, poverty and impact analysis.

Both team members are part of the recently established multi-disciplinary “Poverty Reduction Research Group” at CMI, which will be used for consultations and quality assurance during the course of the project.

**7. Timing**

Each researcher will have six weeks at his/her disposal, including one week for fieldwork. The project will start in mid-May 2007, and the final report shall be submitted no later than end-September 2007.

## Annex 2: The Performance Assessment Framework 2007

On the 30<sup>th</sup> of April, the Government of Mozambique and the PAPs concluded their Joint Review with the approval of the Aide Mémoire, which is the document containing the **final evaluation of the performance of the Government and of the PAPs** during 2006. This document will also serve as a basis for the commitments for 2008.

The Joint Review considered the implementation of PARPA in 2006 to be **positive in various areas** and the progress that was achieved gives to the Programme Aid Partners (PAPs) a satisfactory basis to **continue and where possible increase their budget support** to Mozambique .

The final Joint Review meeting welcomed the **entry of Austria** as a new member of the Programme Aid Partners (PAPs). The PAPs will from now on also be known as G-19 in stead of G-18 (nineteen being the new number of members).

The assessment of macroeconomic policy concluded that the performance in this sector has been strong in 2006 and the economy grew at 8,5 percent (GDP). The sectors showing the strongest growth in terms of gross production value were agriculture (11,1%), construction (23,6%) and transport and communications (21,2%). As to the **Public Finance Management**, the conclusion was that aggregated fiscal discipline was generally satisfactory, and the reform of the State Financial and Administrative System (SISTAFE) led to further improvements in transparency and comprehensiveness of the budget and in information on budget execution.

In the health sector, the **provision of Anti Retroviral Virus Therapy (ARVT) increased significantly** (from 27.000 to 44.100) and was extended to 70% of all districts. In education, **access to primary education continued to improve** and the net enrolment rate reached 87%. Service delivery equally improved in the water and social welfare sectors. However, the illiteracy rate continued to be twice as high among women, even in the age group under 35, and the quality of the services provided is low: The ratio pupil/teacher continues to be high (above 70/1), contributing to pupils having poor results.

The process of the **Public Sector Reform** was marked by the establishment of the National Authority for Public Service and by the agreement on the **Anti Corruption** Strategy. Nevertheless, the progress in the implementation of cross cutting reforms, planned a long time ago in the public sector, continues at a slow pace and the demand for salary reform appears in many sector reports. With respect to **decentralisation**, much progress was made with the introduction of the Investment Budget for Local Initiatives (OIIL), the reorganisation and strengthening of the district governments and the deconcentration of human resources management.

Some progress was recorded in the **business environment**, but specific and persistent problems remain, including: access to credit; reimbursement of VAT and poor quality of national products .

**Rural development** calls for an increase in the productivity of the small producers. The Government should make efforts to ensure that agrarian public services relevant for the reality of the market, reach most producers. Rural markets are needed that are more competitive, offer better conditions to the small-scale farmer and provide access to inputs. District and provincial authorities will have to prioritise investments in rural infrastructure such as roads, electric energy, irrigation



systems and water management and sanitation, aimed at meeting the needs of production, marketing and rural processing.

The Aide Mémoire shows also **some important areas** where the **performance in 2006 was poor** . For this reason, in the recommendation for 2007 **special attention** should be given to issues as: a better understanding of the various manifestations of poverty and its distribution; the allocation of responsibilities and the poor management capacity and service delivery at central, provincial and district level; the citizen's rights of access to natural resources and of participation in their management; the salary reform and the increase of the internal revenue collection.

Coordination and communication between stakeholders improved. One example is sector support: For the first time all the **sectoral annual reviews** were an integral part of the Joint Review, which allowed for an additional alignment of the dialogue processes, reviews and sector commitments with the Government's planning and budgeting cycle. Another example is **the comprehensiveness of the budget** . A few years ago, a large part of donor support was off-budget. Now the majority of funds to Government are shown in the budget and a growing percentage goes through the treasury.

One of the **challenges on the donor side** is to be more reliable and predictable in the short and medium term. As a group, PAPs have been assessed as delivering 'mixed performance', since individual performances varied quite considerably. The main area of progress concerned the utilisation of the Public Finance Management system of Government.

**Source:** Executive Summary Joint Review 2007 ([www.pap.org.mz](http://www.pap.org.mz))

*Indicators (see separate file)*



## SUMMARY

Poverty reduction is the overarching goal of Norwegian development assistance, as expressed in the “Government Plan of Action for Combating Poverty in the South Towards 2015” and other related documents. At the same time, it is acknowledged that we currently know too little about the impact of development aid and that Norway must make greater demands on both itself and its partners to document results. This report feeds into the process of improving the documentation of the results of Norwegian development aid by taking a critical look at the system of the monitoring and evaluation of Norwegian development aid to Mozambique – with a particular focus on poverty reduction. Central topics are the implications of the overarching objective of poverty reduction on the level of concrete interventions; the most relevant types of data to verify the outcomes and impact on poverty; and the most adequate system for forwarding information to the relevant stakeholders.

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